

NEW ISSUE – Book-Entry-Only

**Ratings: Moody’s Investors Service: “Aa3”
Fitch Ratings: “A+”
See “RATINGS” herein**

In the opinion of Co-Bond Counsel to the Issuer, based on existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain certifications and compliance with certain covenants, interest on the 2014 Series A Bonds is excludable from gross income for federal income tax purposes. Interest on the 2014 Series A Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes but such interest is included in adjusted current earnings in computing the federal alternative minimum taxes imposed on certain corporations. Co-Bond Counsel are also of the opinion based on existing laws of the State of Idaho as enacted and construed that interest on the 2014 Series A Bonds is exempt from State of Idaho income taxes. Co-Bond Counsel express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2014 Series A Bonds. See, “Tax Matters” herein.

\$76,930,000*



**IDAHO HOUSING AND FINANCE ASSOCIATION
GRANT AND REVENUE ANTICIPATION BONDS
FEDERAL HIGHWAY TRUST FUND
2014 SERIES A**

Dated: Date of Delivery

Due: July 15, as shown on the inside cover

The Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund, 2014 Series A (the “2014 Series A Bonds”) will be issued only as fully registered bonds, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for such Bonds. Purchasers will not receive certificates representing their ownership interest in the 2014 Series A Bonds purchased. So long as DTC or its nominee is the registered owner of the 2014 Series A Bonds, payments of the principal of and interest due on the 2014 Series A Bonds will be made directly to DTC. The 2014 Series A Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Principal of and interest on the 2014 Series A Bonds will be paid directly to DTC by Wells Fargo Bank, National Association, as Trustee and Paying Agent (the “Trustee” and “Paying Agent”).

The 2014 Series A Bonds will bear interest payable on each January 15 and July 15, commencing on July 15, 2014*. The maturities, interest rates and yields of the 2014 Series A Bonds are shown on the inside cover hereof. Certain of the 2014 Series A Bonds are subject to optional redemption prior to their respective maturities as described herein.

The Idaho Housing and Finance Association (the “Issuer”) is issuing the 2014 Series A Bonds pursuant to a Master Trust Indenture dated as of May 1, 2006, as supplemented (the “Master Indenture”) and a Series Trust Indenture dated as of January 1, 2014 (the “2014 Series A Indenture” and, together with the Master Indenture, the “Indenture”), each between the Issuer and the Trustee to (i) pay the costs of the Project (as described and defined herein) and (ii) pay the costs of issuing the 2014 Series A Bonds. See “THE 2014 SERIES A BONDS” herein. The Issuer has heretofore issued bonds, and may issue additional series of bonds, under the Master Indenture. All bonds issued under the Master Indenture are referred to herein as the “Bonds.” Bonds issued under the Master Indenture are equally and ratably secured by the pledges and covenants contained therein.

The Bonds and any interest due thereon are payable solely and only from (i) federal highway funds (“FHWA Funds”) received from the Federal Highway Administration (“FHWA”) through a continuous appropriation by the Idaho Legislature from the State Highway Account (the “State Highway Account”) and the GARVEE Debt Service Fund (the “GARVEE Debt Service Fund”) and (ii) amounts deposited into the General Account of the Revenue Fund of the Indenture, into which certain matching fund payments received from the Idaho Transportation Department (the “Department”), a department and agency of the State of Idaho (the “State”), are to be deposited. Such matching fund payments are provided for under a Master Financing Agreement dated as of October 13, 2005, as supplemented (the “Financing Agreement”), among the Issuer, the Department and the Idaho Transportation Board (the “Board”). The Idaho Legislature has continuously appropriated from the FHWA Funds, amounts projected to be sufficient to meet principal and interest requirements on the Bonds. See “SECURITY FOR THE BONDS” and “EXHIBIT B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” and “EXHIBIT C - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER FINANCING AGREEMENT AND THE SEVENTH SUPPLEMENT THERETO” herein.

The Department has entered into a Memorandum of Agreement with FHWA dated September 30, 2005 (the “Memorandum of Agreement”). The Memorandum of Agreement provides that FHWA will reimburse the Department for its share of debt service and costs incurred for the Bonds, including its share of principal, interest and other bond related costs, as provided in Title 23, Section 122, United States Code. The continuous appropriation from the State Highway Account and GARVEE Debt Service Fund is payable solely from FHWA Funds, including FHWA Funds that are paid to the Department pursuant to the Memorandum of Agreement and in accordance with Title 23 (as defined herein) and other FHWA Funds in the State Highway Account. To the extent that the Department has deposited its matching funds first into the GARVEE Debt Service Fund and then into the General Account of the Revenue Fund under the Indenture it will receive a credit for such deposits and the amount of the continuous appropriation will be reduced.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER. THE BONDS AND THE INTEREST THEREON DO NOT REPRESENT OR CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY, GENERAL OR MORAL OBLIGATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER. THE BONDS ARE NOT A DEBT OR LIABILITY OF THE STATE OF IDAHO, THE LEGISLATURE THEREOF OR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR OTHER BODY CORPORATE AND POLITIC THEREIN. NEITHER THE STATE OF IDAHO, THE LEGISLATURE THEREOF NOR ANY POLITICAL SUBDIVISION OR MUNICIPALITY OR OTHER BODY CORPORATE AND POLITIC THEREIN IS LIABLE FOR THE BONDS AND THE BONDS DO NOT CONSTITUTE THE GIVING, PLEDGING OR LOANING OF THE CREDIT OF THE STATE OF IDAHO, THE LEGISLATURE THEREOF

The 2014 Series A Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approving legal opinion of Ballard Spahr LLP and Skinner Fawcett LLP, Boise, Idaho, Co-Bond Counsel. Certain legal matters will be passed on for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP. It is expected that delivery of the 2014 Series A Bonds will be made on or about January ___, 2014, through the facilities of DTC, against payment therefor.

Goldman, Sachs & Co.	Citigroup	BofA Merrill Lynch
D.A. Davidson & Co. Fixed Income Capital Markets	Barclays	KeyBanc Capital Markets Inc.
Morgan Stanley	Edward Jones	Siebert Brandford Shank & Co.
Wells Fargo Securities	Piper Jaffray & Co.	Zions Bank
	Wedbush Morgan Securities	

Dated: January ___, 2014

* Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

MATURITY SCHEDULE

\$76,930,000*

**IDAHO HOUSING AND FINANCE ASSOCIATION
GRANT AND REVENUE ANTICIPATION BONDS
FEDERAL HIGHWAY TRUST FUND
2014 SERIES A**

\$48,315,000* Serial Bonds

<u>Maturity*</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
7/15/2014	\$2,865,000			
7/15/2015	2,835,000			
7/15/2016	2,980,000			
7/15/2017	3,130,000			
7/15/2018	3,295,000			
7/15/2019	3,460,000			
7/15/2020	3,640,000			
7/15/2021	3,825,000			
7/15/2022	4,020,000			
7/15/2023	4,230,000			
7/15/2024	4,445,000			
7/15/2025	4,675,000			
7/15/2026	4,915,000			

\$28,615,000* _____% Term Bonds due July 15, 2031*, Yield _____%, Price of _____

* Preliminary, subject to change.

IDAHO HOUSING AND FINANCE ASSOCIATION

Board of Commissioners

David Wilson, Chairman
Steven R. Keen, Vice Chairman
Ralph G. Cottle, Secretary/Treasurer
Darlene M. Bramon, Commissioner
Mark P. Dunham, Commissioner
John Insinger, Commissioner
John D. Beebe, Jr., Commissioner

Gerald M. Hunter, President and Executive Director
John R. Sager, Executive Vice President and Chief Financial Officer

IDAHO TRANSPORTATION BOARD

Board of Commissioners

Jerry Whitehead, Chairman
R. James Coleman, Vice Chairman
Lee Gagner, Member
Jim Kempton, Member
Julie DeLorenzo, Member
Dwight Horsch, Member
Jan Vassar, Member

IDAHO TRANSPORTATION DEPARTMENT

Brian W. Ness, Director
L. Scott Stokes, Chief Deputy
David Tolman, Controller
Amy Schroeder, GARVEE Program Manager

COUNSEL AND CONSULTANTS

Co-Bond Counsel

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and

Skinner Fawcett LLP
Boise, Idaho

Underwriters' Counsel

Orrick, Herrington & Sutcliffe LLP

Counsel to the Issuer

Richard A. Skinner, Esquire, Skinner Fawcett LLP
Boise, Idaho

Counsel to the Department

Larry Allen, Esquire
Deputy Attorney General

TRUSTEE

Wells Fargo Bank, National Association

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the State, the Issuer, the Department or the Underwriters. This Official Statement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities other than the securities offered hereby or an offer to sell or solicitation of offers to buy, nor shall there be any sale of the 2014 Series A Bonds, by any person in any jurisdiction where such offer or solicitation or sale would be unlawful.

The information contained in this Official Statement has been obtained from the Issuer, the Department, the State and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, any of the foregoing. The presentation of such information, including tables of receipts from the Federal Highway Administration and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representation of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Department or the State since the date hereof.

The following sentence has been provided by the Underwriters for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The 2014 Series A Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency has passed upon the accuracy of this Official Statement.

The Issuer and the Department have undertaken to provide continuing disclosure with respect to the 2014 Series A Bonds as required by Rule 15c2-12 of the Securities and Exchange Commission.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2014 SERIES A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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SUMMARY

The following information is furnished solely to provide limited introductory information regarding the Idaho Housing and Finance Association (the “Issuer”), the Idaho Transportation Board (the “Board”), the Idaho Transportation Department (the “Department”) and the 2014 Series A Bonds and does not purport to be comprehensive. Such information is qualified in its entirety by reference to the more detailed information and descriptions appearing elsewhere in this Official Statement and should be read together therewith. The terms used in this Summary and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement. The offering of the 2014 Series A Bonds is made only by means of the entire Official Statement, including the Exhibits hereto. No person is authorized to make offers to sell, or solicit offers to buy, the 2014 Series A Bonds unless the entire Official Statement is delivered in connection therewith.

The Issuer The Issuer is an independent body, corporate and politic, created by the Legislature of the State of Idaho (the “State”) in 1972. See “IDAHO HOUSING AND FINANCE ASSOCIATION” herein.

The Department The Department is a department and agency of the State responsible for the management of the State Highway Program. See “IDAHO TRANSPORTATION DEPARTMENT” and “MANAGEMENT OF STATE HIGHWAY PROGRAM” herein.

The Board The Board is a seven member Board appointed by the Governor of the State which provides oversight and supervision for the Department. See “IDAHO TRANSPORTATION BOARD” herein.

The Offering The Issuer is offering its Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund, 2014 Series A in an aggregate principal amount of \$76,930,000* (the “2014 Series A Bonds”). See “THE 2014 SERIES A BONDS” herein.

Authority The 2014 Series A Bonds will be issued pursuant to the Idaho Code, Title 67, Chapter 62, as amended (the “Act”), the bond resolutions adopted by the Issuer on October 18, 2013 and to be adopted on January 17, 2014 (collectively, the “Resolution”) and the Master Trust Indenture dated as of May 1, 2006, as supplemented (the “Master Indenture”), and a Series Trust Indenture dated as of January 1, 2014 (the “2014 Series A Indenture” and, together with the Master Indenture, the “Indenture”), each between the Issuer and Wells Fargo Bank, National Association, as trustee and paying agent (the “Trustee” and “Paying Agent”). All bonds issued under the Master Indenture are referred to herein as “Bonds.”

Use of Proceeds The proceeds of the 2014 Series A Bonds, together with other funds, will be provided by the Issuer to the Department pursuant to the Financing Agreement to (i) pay the costs of certain transportation projects of the Department (collectively the “Project”) and (ii) pay the costs of issuing the 2014 Series A Bonds. See “THE PROJECT” herein.

Features The 2014 Series A Bonds will be dated as of the date of delivery, and will bear interest on each January 15 and July 15, commencing July 15, 2014, at the rates set forth on the inside cover page of this Official Statement and

will mature on the dates set forth on the inside cover page of this Official Statement.

The 2014 Series A Bonds maturing on or before July 15, _____ are not subject to optional redemption prior to maturity. The 2014 Series A Bonds maturing on or after July 15, _____ are subject to redemption at the option of the Issuer on or after July 15, _____ in whole or in part at any time, at a redemption price equal to 100% of the principal amount of the 2014 Series A Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

The 2014 Series A Bonds maturing on July 15, 2031* are subject to redemption in part, by lot, at the principal amount thereof plus accrued interest thereon to the date of redemption, from mandatory sinking fund installments which are required to be made in amounts sufficient to redeem or pay at maturity the principal amount of such Bonds specified for each of the dates shown herein.

The 2014 Series A Bonds are issuable only as fully registered bonds, without coupons. The 2014 Series A Bonds are being offered in the authorized denominations of \$5,000 or any integral multiples thereof, at the rates shown on the inside cover page hereof. The 2014 Series A Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2014 Series A Bonds. Purchasers will not receive certificates representing their ownership interest in the Bond purchased. So long as DTC or its nominee is the registered owner of the Bond, payments of the principal of and interest due on the 2014 Series A Bonds will be made directly to DTC.

Principal of and interest on the 2014 Series A Bonds will be paid directly to DTC by the Trustee.

It is expected that delivery of the 2014 Series A Bonds will be made on or about January ___, 2014, through the facilities of DTC, against payment therefor.

Security

The Bonds and any interest due thereon are payable solely and only from (i) federal highway funds (“FHWA Funds”) received from the Federal Highway Administration (“FHWA”) through a continuous appropriation by the Idaho Legislature from the State Highway Account (the “State Highway Account”) and the GARVEE Debt Service Fund (the “GARVEE Debt Service Fund”) and (ii) amounts deposited into the General Account of the Revenue Fund of the Indenture, into which certain matching fund payments received from the Department are to be deposited. Such matching fund payments are provided for under a Master Financing Agreement, dated as of October 13, 2005, as supplemented (the “Financing Agreement”), among

* Preliminary, subject to change.

the Issuer, the Department and the Board.

Under the Financing Agreement, the Department and the Board have agreed that debt service on the Bonds will be paid using FHWA Funds received from the FHWA through a continuous appropriation from the State Highway Account and the GARVEE Debt Service Fund. The Department and the Board have agreed that the continuous appropriation for the scheduled debt service payments will be remitted to the Trustee from the GARVEE Debt Service Fund at least three (3) Business Days prior to the scheduled debt service payment dates. See “SECURITY FOR THE BONDS” herein.

Continuous appropriations by the Idaho Legislature to pay amounts due under the Financing Agreement are to be made solely from FHWA Funds that are available to the Department and the State including FHWA Funds available for debt service on the Bonds pursuant to the Memorandum of Agreement, under Section 122 of Title 23, United States Code, Highways for such purpose. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS” herein for information regarding the FHWA Funds. Under the Financing Agreement, the Department is not obligated to request an appropriation of funds (for the payment of amounts due) from any other source but it does agree to provide certain matching funds to the Trustee. If such matching funds are deposited with the Trustee by the Department, then the amounts of deposits will be credited against the amount of the continuous appropriation from the State Highway Account and the GARVEE Debt Service Fund required to pay debt service on the Bonds.

The Bonds are also secured by certain other funds and accounts pledged therefor and described herein. See “EXHIBIT B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” and “EXHIBIT C - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER FINANCING AGREEMENT AND THE SEVENTH SUPPLEMENT THERETO” herein.

The Issuer has heretofore issued Bonds under the Master Indenture which are equally and ratably secured by the pledges and covenants contained therein, and may, at the request of the Department, issue Additional Bonds on a parity basis with the Bonds under certain circumstances. See “SECURITY FOR THE BONDS – Additional Bonds” herein.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER. THE BONDS AND THE INTEREST THEREON DO NOT REPRESENT OR CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY, GENERAL OR MORAL OBLIGATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER. THE BONDS ARE NOT A DEBT OR LIABILITY OF THE STATE OF IDAHO, THE LEGISLATURE THEREOF OR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR OTHER BODY CORPORATE AND POLITIC THEREIN, NEITHER THE STATE OF IDAHO, THE LEGISLATURE THEREOF NOR ANY POLITICAL SUBDIVISION OR MUNICIPALITY

OR OTHER BODY CORPORATE AND POLITIC THEREIN IS LIABLE FOR THE BONDS AND THE BONDS DO NOT CONSTITUTE THE GIVING, PLEDGING OR LOANING OF THE CREDIT OF THE STATE OF IDAHO, THE LEGISLATURE THEREOF OR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR BODY CORPORATE AND POLITIC THEREIN, NOR SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OTHER THAN THOSE OF THE ISSUER WHICH ARE A PART OF THE TRUST ESTATE PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

Tax Exempt Status

In the opinion of Co-Bond Counsel to the Issuer, based on existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain certifications and compliance with certain covenants, interest on the 2014 Series A Bonds is excludable from gross income for federal income tax purposes. Interest on the 2014 Series A Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes but such interest is included in adjusted current earnings in computing the federal alternative minimum taxes imposed on certain corporations. Co-Bond Counsel are also of the opinion based on laws of the State of Idaho as enacted and construed that interest on the 2014 Series A Bonds is exempt from State of Idaho income taxes. Co-Bond Counsel express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2014 Series A Bonds. See “TAX MATTERS” herein, and “EXHIBIT A - PROPOSED FORM OF OPINION OF CO-BOND COUNSEL.”

Continuing Disclosure

Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended, generally prohibits an underwriter from purchasing or selling municipal securities in an initial offering unless it has determined that the issuer of such securities has committed to provide, annually, certain information, including audited financial information, and notice of various events, if material. To enable the underwriter to comply with the provisions of Rule 15c2-12, the Issuer and the Department will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”).

General

This Official Statement speaks only as of its date, and the information contained herein is subject to change. All summaries of documents and agreements in this Official Statement are qualified in their entirety by reference to such documents and agreements, copies of which are available from the Issuer.

Information

Information regarding the 2014 Series A Bonds is available by contacting the Idaho Housing and Finance Association, 565 Myrtle Street, Boise, Idaho 83707 (208) 331-4728 or the Representative of the Underwriters, Citigroup Global Markets Inc., 390 Greenwich Street, New York, New York 10013, (212) 723-7093.

OFFICIAL STATEMENT
of
IDAHO HOUSING AND FINANCE ASSOCIATION
Relating to its
\$76,930,000*
Grant and Revenue Anticipation Bonds
Federal Highway Trust Fund
2014 Series A

INTRODUCTION

This Official Statement (which includes the cover page and exhibits hereto) of the Idaho Housing and Finance Association (the “Issuer”) provides certain information in connection with the issuance and sale of the Issuer’s \$76,930,000* Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund, 2014 Series A (the “2014 Series A Bonds”).

The 2014 Series A Bonds will be issued pursuant to the Idaho Code, Title 67, Chapter 62, as amended (the “Act”), the bond resolutions adopted by the Issuer on October 18, 2013 and to be adopted on January 17, 2014 (collectively, the “Resolution”) and the Master Trust Indenture dated as of May 1, 2006, as supplemented (the “Master Indenture”), and a Series Trust Indenture dated as of January 1, 2014 (the “2014 Series A Indenture” and, together with the Master Indenture, the “Indenture”), each between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”).

The Issuer is issuing the 2014 Series A Bonds at the request of the Idaho Transportation Board (the “Board”) and the Idaho Transportation Department (the “Department”), a department and agency of the State of Idaho (the “State”), to (i) provide financing for certain highway transportation projects (collectively, the “Project”) included in the State’s Connecting Idaho Program (the “Program”) and (ii) pay the costs of issuing the 2014 Series A Bonds. The issuance of the 2014 Series A Bonds and the Project have been approved by the Idaho Transportation Board and the Idaho Legislature.

The Issuer has heretofore issued bonds under the Master Indenture. See “OUTSTANDING BONDS; INVESTMENT OBLIGATIONS.” All bonds issued under the Master Indenture are referred to herein as the “Bonds.” Bonds issued under the Master Indenture are equally and ratably secured by the pledges and covenants contained therein. The Issuer may issue Additional Bonds pursuant to the Master Indenture upon satisfaction of the conditions for the issuance of Additional Bonds set forth therein. All Additional Bonds issued under the Master Indenture and all additional projects financed by the Issuer at the request of the Department require the approval of the Board and the Idaho Legislature. See “SECURITY FOR THE BONDS - Additional Bonds.”

The Bonds and any interest due thereon are payable solely and only from (i) federal highway funds (“FHWA Funds”) received from the Federal Highway Administration (“FHWA”) through a continuous appropriation by the Idaho Legislature from the State Highway Account (the “State Highway Account”) and the GARVEE Debt Service Fund (the “GARVEE Debt Service Fund”) and (ii) amounts deposited into the General Account of the Revenue Fund of the Indenture, into which certain matching fund payments received from the Department are to be deposited. Such matching fund payments are

* Preliminary, subject to change.

provided for under a Master Financing Agreement dated as of October 13, 2005, as supplemented (the "Financing Agreement"), among the Issuer, the Department and the Board. The Idaho Legislature has continuously appropriated from the FHWA Funds, amounts projected to be sufficient to meet principal and interest requirements on the Bonds. See "SECURITY FOR THE BONDS - General."

All capitalized terms used in this Official Statement that are defined in the Indenture and the Financing Agreement shall have the respective meanings set forth in the Indenture and the Financing Agreement. See "EXHIBIT B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Definitions of Certain Terms and "EXHIBIT C - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER FINANCING AGREEMENT AND THE SEVENTH SUPPLEMENT THERETO." The references to and summaries and descriptions of the Act, the Indenture, the Financing Agreement, the Bonds, the Project and the Program, the other statutes, instruments and documents which are included in this Official Statement do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entirety by references to the appropriate statute, instrument or document.

IDAHO HOUSING AND FINANCE ASSOCIATION

In 1972 the Issuer was created by the Act, as a body politic and corporate, in order to assure an adequate source of capital for housing for low income persons who otherwise could not afford decent, safe and sanitary housing. Subsequently, the Issuer was granted additional powers by the Idaho Legislature to finance various facilities for nonprofit corporations and certain agricultural facilities in Idaho.

Idaho Housing is the largest issuer of bonds in the State of Idaho. Since its inception and through September 20, 2013, Idaho Housing has issued over \$5.3 billion of bonds comprising 229 separate bond issues. Idaho Housing currently has approximately \$2.127 billion in outstanding bond debt. Idaho Housing has approximately \$1.255 billion of bonds outstanding to finance its single family mortgage bond program, approximately \$38 million of bonds outstanding to finance its multifamily bond program, approximately \$105 million of bonds outstanding to finance various facilities for nonprofit corporations, approximately \$120 million of bonds outstanding to finance economic development, approximately \$206 million of unemployment compensation bonds issued on behalf of the Idaho Department of Labor and approximately \$665 million of bonds outstanding to finance highway transportation projects.

On April 14, 2005, the Governor of Idaho signed into law Senate Bill 1183, as amended, effective July 1, 2005 which amended the Issuer's existing enabling legislation. The amendment establishes the Program, which permits the Issuer to issue bonds secured by future federal highway funds on behalf of the Department for specified highway transportation projects. These projects include certain priority corridor projects specified in the legislation. None of the projects in the Program can be funded without the approval of the Board and the Idaho Legislature. This legislation provides for a continuing appropriation from all federal funds held in the State Highway Account and the GARVEE Debt Service Fund as security for the payment of the Bonds.

The Board and the Idaho Legislature have approved the Project and issuance of the Bonds to fund the Project and the Idaho Legislature has approved a continuous appropriation as security for the Bonds. In addition, the Board and the Department have agreed to cause to be deposited certain matching funds first to the GARVEE Debt Service Fund and then to the General Account of the Revenue Fund under the Indenture in equal monthly installments for the payment of the Bonds. To the extent that such matching funds are available fifteen (15) days prior to a Bond debt service date the amount of such funds will reduce the amount of the continuous appropriation from the State Highway Account and GARVEE Debt Service Fund for such Bond debt service payment.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER. THE BONDS AND THE INTEREST THEREON DO NOT REPRESENT OR CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY, GENERAL OR MORAL OBLIGATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER. THE BONDS ARE NOT A DEBT OR LIABILITY OF THE STATE OF IDAHO, THE LEGISLATURE THEREOF OR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR OTHER BODY CORPORATE AND POLITIC THEREIN, NEITHER THE STATE OF IDAHO, THE LEGISLATURE THEREOF NOR ANY POLITICAL SUBDIVISION OR MUNICIPALITY OR OTHER BODY CORPORATE AND POLITIC THEREIN IS LIABLE FOR THE BONDS AND THE BONDS DO NOT CONSTITUTE THE GIVING, PLEDGING OR LOANING OF THE CREDIT OF THE STATE OF IDAHO, THE LEGISLATURE THEREOF OR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR BODY CORPORATE AND POLITIC THEREIN, NOR SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OTHER THAN THOSE OF THE ISSUER WHICH ARE A PART OF THE TRUST ESTATE PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

The Issuer is governed by seven Commissioners, appointed for alternating four-year terms by the Governor of the State, one of whom is selected Chairman by the Governor. Currently there are seven Commissioners. The Act requires that preference shall be given to persons representing persons of low income and to persons with experience in the fields of mortgage lending, banking, finance, real estate or home building. The Issuer's Commissioners are as follows:

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>	<u>Employment</u>
David F. Wilson.	Chairman	July 1, 2016	Building Contractor and Civic Leader, Ketchum, Idaho
Steven R. Keen	Vice Chairman	July 1, 2014	Sr. Vice President, CFO and Treasurer, Idaho Power, and Vice President and Treasurer, IdaCorp., Boise, Idaho
Ralph G. Cottle	Secretary/Treasurer	July 1, 2014	President and CEO Citizens Community Bank, Pocatello, Idaho
John D. Beebe, Jr.	Commissioner	July 1, 2014	Realtor and Home Health Administrator, Coeur d'Alene, Idaho
Darlene M. Bramon	Commissioner	July 1, 2016	Banking and Civic Leader, Hailey, Idaho
Mark P. Dunham	Commissioner	July 1, 2016	Legislative Consultant, Risch-Pisca, Boise, Idaho
John R. Insinger	Commissioner	July 1, 2016	Attorney, Boise, Idaho

The Act designates as advisors to the Issuer's Board of Commissioners the Governor, the Honorable C.L. "Butch" Otter; the State Treasurer, Ron Crane; the State Controller, Brandon B. Woolf; and the Administrator of the Division of Financial Management, Jani Revier. In addition, the Idaho State Legislature, through its legislative council, appoints advisors to the Issuer's Board of Commissioners. These members consist of two from each of the majority and minority parties and serve in a nonvoting, advisory capacity. Currently, Senator Dean Mortimer serves as majority party senator, Senator Cherie Buckner-Webb serves as the minority party senator, Representative Judy Boyle serves as the majority party representative and Representative Elaine Smith serves as the minority party representative.

Staff

Principal staff officers of the Issuer responsible for the Issuer's bond issues to finance the Program are the President and Executive Director, Gerald M. Hunter; and the Executive Vice President and Chief Financial Officer, John R. Sager.

Gerald M. Hunter joined the Issuer in September 1986 as Director of Finance, in September 1989 was promoted to Chief Operating Officer and in July 1998 was promoted to President and Executive Director. His prior background includes positions as an Officer/Shareholder for a financial and real estate service company, Treasurer and Operations Vice President for a savings and loan association and experience with a major international accounting firm as a Certified Public Accountant. Additionally, Mr. Hunter has held a faculty membership with an accredited business school where he instructed finance curriculum. Mr. Hunter holds a Bachelor of Arts and Master of Business Administration Degrees from the University of Utah.

John R. Sager joined the Issuer in September 1996 as Vice President, Treasurer and in February 2002 was promoted to Chief Financial Officer and Vice President, Administration. Mr. Sager was promoted to Executive Vice President in March, 2011. Prior to joining the Issuer, Mr. Sager served as investment manager of a large public organization as well as Vice Chairman of the Utah Money Management Council. Mr. Sager has over thirty years of experience in financial management, bond issuance, banking and asset/liability management for public entities. Mr. Sager is a Chartered Financial Analyst, a Certified Cash Manager and holds a Bachelor of Arts and Master of Business Administration degrees from the University of Utah.

The Issuer's staff consists of 165 people. The office of the Issuer is located at 565 West Myrtle Street, Boise, Idaho 83702.

Richard A. Skinner, Esquire, of Skinner Fawcett LLP, Boise, Idaho, serves as general counsel to the Issuer. In addition, Skinner Fawcett LLP serves as co-bond counsel to the Issuer.

Outstanding Indebtedness and Other Programs of the Issuer

The Issuer is active in various housing programs in the State. It has provided long-term mortgage financing for multifamily housing projects, financing of single family mortgages, financing for home improvement loans for single family dwellings and construction loans for multifamily projects which have had permanent financing provided by various government agencies and has provided financing for various facilities for nonprofit corporations in Idaho.

As of July 31, 2013, Idaho Housing has issued bonds to provide permanent financing for approximately 4,170 dwelling units in 75 multifamily developments and has purchased approximately 83,070 mortgage loans secured by single family homes.

The Issuer is self-supporting. The costs of the Issuer are paid from fees for administering housing subsidy programs and from fees and interest earnings on the financing of the housing programs, nonprofit facilities and highway projects.

The Issuer has under consideration the sale of additional bonds to finance its various programs.

IDAHO TRANSPORTATION BOARD

Idaho Code, Title 40, Chapter 3, establishes the creation and authority of the Board, which is vested with authority, control, supervision and administration of the Department.

The Idaho Code also gives the Board the authority to approve and recommend federal highway transportation projects to the Issuer for financing. Such projects are required to be eligible for federal-aid debt financing under Chapter 1, Title 23, United States Code, and listed in Title 40, Chapter 3. The seven-member Board establishes state transportation policy and guides the planning, development and

management of a complex, statewide transportation network. The Board appoints the Department's Director.

Board Representation

The Governor of Idaho appoints the Board members, who must be confirmed by the Idaho Senate. Six members represent and live in each of the administrative districts; the seventh member of the citizen board is selected by the Governor to serve as Chairman.

Six of the seven Board members are appointed to six-year terms, beginning January 31. Their terms are staggered, enabling one appointment each year. The seventh member, the Chairman, serves at the pleasure of the Governor, conducts the monthly meetings and votes on motions only in the event of a tie. No more than four members may be of the same political party.

Board Meetings

The Board meets monthly to receive input from the public and administrative staff members. To ensure widespread opportunities for public input, the board usually meets six times a year in Boise and once in each of the district offices.

Idaho Transportation Board Members

Jerry Whitehead, Chairman

R. James Coleman, Vice Chairman

Lee Gagner, Member

Dwight Horsch, Member

Jan Vassar, Member

Jim Kempton, Member

Julie DeLorenzo, Member

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IDAHO TRANSPORTATION DEPARTMENT

The Department was created by the Idaho Code as a department and agency of the State. It is responsible for building, preserving, and operating the state transportation system funded with federal and/or state dollars. Idaho's state transportation system is an integrated network with 5,000 centerline miles of highways, 1,752 bridges, and 30 backcountry airstrips. The state highway system also includes 30 rest areas and 10 fixed ports of entry.

The Department oversees federal public transportation grants for 27 rural counties and 16 rural providers. It also provides state rail planning and rail-project development, and supports bicycle and pedestrian planning and projects. The Department has approximately 1,810 full-time employees.

The Department is continually seeking innovative ways to make the best use of its resources, assets and funding through a mixture of asset management and innovative finance. The Department's revenue comes from two primary sources. It receives approximately 57% from federal revenue and approximately 42% from state revenue generated by transportation-related taxes and fees. The state fuel tax rate is \$0.25/per gallon for gasoline and diesel. Fuel taxes and vehicle registrations are deposited into the Highway Distribution Account (H.D.A.) from which the Department receives 57% of all deposits. The remaining funds in the H.D.A. are transferred to local units of government and the Idaho State Police.

Staff

The principal staff members of the Department responsible for the Department's Program and the Project are Brian W. Ness, Director; L. Scott Stokes, Chief Deputy; David Tolman, Controller; Amy Schroeder, GARVEE Program Manager and Larry Allen, Deputy Attorney General.

Brian W. Ness, Brian Ness is a transportation professional with more than 30 years of experience. The Idaho Transportation Board named Mr. Ness director of the department in November 2009. He formally assumed the leadership position January 11, 2010. During his 30-year career with the Michigan Department of Transportation, he helped guide the strategic planning process, helped the department meet its planning objectives and quality improvement efforts. He holds a bachelor's degree of science in engineering and a master's degree in public administration.

L. Scott Stokes, a second-generation Idaho Transportation Department employee and a 15-year veteran of the department, became deputy director February 26, 2007. He joined the department as a staff engineer in the bridge section at the Department's headquarters in 1992 and held various positions in Coeur d'Alene and Boise before being selected as the Chief Deputy in 2007. He graduated from Brigham Young University with a degree in civil engineering in 1983 and earned a master's, also in civil engineering, from BYU the following year. He worked in the private sector for approximately eight years before joining the Department.

David Tolman joined the Department in October 2001 as Controller. Prior to joining the Department, Mr. Tolman worked for the Idaho Division of Financial Management for six years and the Idaho State Controller's Office for five years. He is a member of the Association of Government Accountants. Mr. Tolman holds a Bachelor of Science from Brigham Young University and a Master of Business Administration from Boise State University.

Amy Schroeder joined the Department in July 2004 and has worked in various positions. Her broad experience in the Department's headquarters and district offices includes design, project development, management, and construction. Ms. Schroeder has been in a management role in the Department's GARVEE Office since July 2007, with the responsibility of coordinating and administering

the Connecting Idaho - GARVEE Investment Program enacted by the Legislature in April 2005. Ms. Schroeder is a Registered Professional Engineer and holds dual Bachelor of Science degrees in Civil Engineering and Mining Engineering from the University of Idaho.

Larry Allen is a Deputy Attorney General with the State of Idaho. Mr. Allen has worked with the Department beginning April 2011.

Department Organization

To serve and maintain Idaho's transportation needs, the Department is divided into five divisions. The five divisions are: Aeronautics, Highways, Administration, Motor Vehicles and Transportation Performance.

To better serve the state's regions, the Department is divided into six administrative districts, each one responsible for transportation planning, constructing and maintaining the highways within district boundaries. Administrative district offices are located in Coeur d' Alene, Lewiston, Boise, Shoshone, Pocatello and Rigby.

MANAGEMENT OF STATE HIGHWAY PROGRAM

The Department

The Department is responsible for Idaho's state transportation system. The Department is also responsible for the Program and the Project. See "THE PROGRAM" and "THE PROJECT."

The GARVEE Program Manager

The GARVEE Program Manager is a Department employee who reports to the Chief Operations Officer. This position is currently held by Amy Schroeder, P.E.

The role of the GARVEE Program Manager is to be responsible for Program controls and reporting, oversee the Consultant Program Manager, administer the Program for design and construction and assure that the Program is completed successfully.

The Consultant Program Manager

The Department has retained the services of the Connecting Idaho Partners (a joint venture of URS Washington Division (formerly Washington Group International) and CH2M HILL) to manage the Program. The Connecting Idaho Partners team provides planning, design, and construction management services. Both joint venture firms are recognized as nationwide firms that have the expertise and knowledge to manage the Program. The Connecting Idaho Partners continue to provide program and project services to the department under a contract amendment that extends into 2016.

THE 2014 SERIES A BONDS

General

The 2014 Series A Bonds are issuable only as fully registered bonds. The 2014 Series A Bonds will be issuable in the denominations of \$5,000 or any integral multiples thereof, will be dated as of the date of delivery, will bear interest payable on each January 15 and July 15, commencing July 15, 2014, at the rates set forth on the inside cover page of this Official Statement and will mature on the dates set forth

on the inside cover page of this Official Statement. Principal of and interest on the 2014 Series A Bonds are payable in lawful money of the United States to the registered owner of the 2014 Series A Bonds, Cede & Co., as nominee of The Depository Trust Company (“DTC”) in New York, New York, pursuant to the book-entry system operated by DTC. See “EXHIBIT D - Book-Entry-Only System.”

Optional Redemption

The 2014 Series A Bonds maturing on or before July 15, _____ are not subject to optional redemption prior to maturity. The 2014 Series A Bonds maturing on or after July 15, _____ are subject to redemption at the option of the Issuer on or after July 15, _____ in whole or in part at any time, at a redemption price equal to 100% of the principal amount of the 2014 Series A Bonds to be redeemed, plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption*

The 2014 Series A Term Bonds maturing on July 15, 2031 are subject to redemption in part, by lot, at the principal amount thereof plus accrued interest thereon to the date of redemption, from mandatory sinking fund installments which are required to be made in amounts sufficient to redeem or pay at maturity the principal amount of such Bonds specified for each of the following dates:

<u>Date</u>	<u>Amount</u>
7/15/2027	\$5,165,000
7/15/2028	5,430,000
7/15/2029	5,710,000
7/15/2030	6,000,000
7/15/2031*	6,310,000

* final maturity

Upon any redemption of 2014 Series A Bonds for which mandatory sinking fund installments shall have been established, other than by application of mandatory sinking fund installments, an amount equal to the applicable principal amount thereof will be credited toward a part or all of any one or more of such mandatory sinking fund installments in amounts bearing the same ratio as the total principal amount of such 2014 Series A Bonds so redeemed bears to the total amount of all such mandatory sinking fund installments to be credited.

Other Provisions Concerning Redemption

Notice of redemption is to be given not less than 30 nor more than 45 days prior to the redemption date by first-class mail or such other method as may be customary for the industry to the registered owner of any 2014 Series A Bonds or portions of 2014 Series A Bonds to be redeemed at such registered owner’s last address appearing on the registration records of the Trustee. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the registered owners of such 2014 Series A Bonds shall have actually received such notice. Receipt of such notice by the registered owner of any 2014 Series A Bond shall not be a condition precedent to the redemption of such Bond. Failure to give notice of redemption to any registered owner or any defect therein shall not affect the

* Preliminary, subject to change.

validity of redemption proceedings for any 2014 Series A Bond with respect to which no such failure or defect has occurred.

If DTC or its nominee is the registered owner of any 2014 Series A Bonds to be redeemed, notice of redemption will be given to DTC or its nominee as the registered owner of such 2014 Series A Bond. Any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner of any 2014 Series A Bond to be redeemed shall not affect the validity of the redemption of such Bond. See “EXHIBIT D - BOOK ENTRY ONLY SYSTEM.”

If less than all the 2014 Series A Bonds of like tenor and maturity are to be redeemed, the particular 2014 Series A Bonds or the respective portions thereof to be redeemed will be selected by lot by the Trustee in such manner as the Trustee in its discretion deems fair and appropriate.

The portion of any 2014 Series A Bond of a denomination larger than the minimum denomination may be redeemed in the principal amount of such minimum denomination or in an integral multiple of \$5,000 in excess thereof, and for purposes of selection and redemption, any such 2014 Series A Bond of a denomination larger than the minimum denomination shall be considered to be that number of separate 2014 Series A Bonds of such minimum denomination which is obtained by dividing the principal amount of such 2014 Series A Bond by such minimum denomination (provided that one of such Bonds may be in a denomination in excess of such minimum denomination). If there shall be selected for redemption less than all of a 2014 Series A Bond, the Issuer shall execute and the Trustee shall authenticate and deliver, upon the surrender of such 2014 Series A Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the 2014 Series A Bond so surrendered, 2014 Series A Bonds of like interest rate, tenor and maturity in any of the authorized denominations.

If, on the redemption date, moneys for the redemption of 2014 Series A Bonds or portions thereof, together with interest to the redemption date, shall be held by the Trustee or the Paying Agent so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest on the 2014 Series A Bonds or portions thereof so called for redemption shall cease to accrue and become payable.

Subject to the terms and conditions set forth in the Indenture and prior to the mailing by the Trustee of a notice of redemption with respect to 2014 Series A Bonds of any particular maturity, the Issuer may direct the Trustee or the Paying Agent to purchase such 2014 Series A Bonds with available moneys under the Indenture for cancellation in lieu of redemption.

Book-Entry-Only System

The 2014 Series A Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of 2014 Series A Bonds. Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the 2014 Series A Bonds under the Indenture. For additional information about DTC and the book-entry-only system see “EXHIBIT D - BOOK-ENTRY-ONLY SYSTEM.”

Authorization

The Issuer, at its meetings on October 18, 2013 and January 17, 2014, adopted or will adopt bond resolutions (collectively, the “Resolution”), which, among other things (i) authorized the Indenture, (ii)

authorized and approved the issuance of the 2014 Series A Bonds, (iii) authorized the Financing Agreement and (iv) directed the preparation and distribution of this Official Statement.

The Department, the Board and the Idaho Legislature have also approved the issuance of the 2014 Series A Bonds and the Project being financed with the proceeds of the 2014 Series A Bonds as required by the Act.

OUTSTANDING BONDS; INVESTMENT OBLIGATIONS

The Issuer has heretofore issued the following series of Bonds under the Master Indenture.

	<u>Principal Amount</u>	
<u>Issue</u>	<u>Issued</u>	<u>Outstanding</u>
Series 2006	\$194,340,000	\$118,900,000
2008 Series A	\$173,035,000	\$146,155,000
2009 Series A	\$172,210,000	\$136,765,000
2010 Series A-1	\$12,450,000	\$7,440,000
2010 Series A-2	\$71,840,000	\$71,840,000
2011 Series A	\$72,925,000	\$70,505,000
2012 Series A	<u>\$34,890,000</u>	<u>\$32,985,000</u>
Total	<u>\$731,690,000</u>	<u>\$584,590,000</u>

The 2010 Series A-2 Bonds were issued as direct payment Build America Bonds. The Issuer intends to apply for Direct Payments under the “Build America Program” pursuant to Section 6431 of the Code. Such credits, if received by the Issuer, are pledged under the Indenture as Pledged Revenues to the repayment of the Bonds.

Upon issuance of the 2010 Series A-2 Bonds, the Issuer created an Interest Subsidy Reserve Fund and deposited \$778,851.64 into such fund to ensure that sufficient funds were available to pay debt service on 2010 Series A-2 Bonds in the event that Direct Payments (interest subsidy payments to be received by the Issuer from the Internal Revenue Service pursuant to Section 6431 of the Code with respect to the 2010 Series A-2 Bonds) were not received prior to scheduled debt service payment dates. In addition, the FHWA agreed that it would reimburse the Department for the increased interest cost if the U.S. Treasury were to suspend or discontinue Direct Payments. In July of 2013, the Direct Payment received by the Issuer was less than expected because of the automatic budget spending cuts to the United States federal government spending (“Sequestration”) and, consequently, the Department drew \$67,760 from the Interest Subsidy Reserve Fund to pay debt service on the 2010 Series A-2 Bonds. The Department expects to maintain on deposit in such fund an amount equal to the Direct Payment expected to be received on the next succeeding Interest Payment Date. Further, the Department expects to draw funds from the FHWA pursuant to the Memorandum of Agreement an amount equal to the Federal Share of any difference between Direct Payments expected to be received on each Interest Payment Date upon issuance of the 2010 Series A-2 Bonds and Direct Payment actually received on each such payment date.

Moneys deposited in the Project Fund held under the Master Indenture are presently invested in Eligible Investments, including investment agreements with the financial institutions and at the rates indicated on the following table:

<u>Issue</u>	<u>Provider</u>	<u>Rate</u>	<u>Expiration Date</u>
2012 Series A	Bayerische Landesbank	0.860%	December 30, 2014

Moneys deposited in the Project Fund from the proceeds of the 2014 Series A Bonds may be invested in an investment agreement with an eligible provider.

SECURITY FOR THE BONDS

General

The Bonds and any interest due thereon are payable solely and only from (i) FHWA Funds received from the FHWA through a continuous appropriation by the Idaho Legislature from the State Highway Account and the GARVEE Debt Service Fund and (ii) amounts deposited into the General Account of the Revenue Fund of the Indenture, into which certain matching fund payments received from the Department are to be deposited. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS” herein for information regarding the FHWA Funds.

The Indenture secures the payment of principal and interest on the Bonds by granting to the Trustee a security interest in the Issuer’s rights under the Financing Agreement to all payments due thereunder (except for the payment of fees and indemnity) and all of the Issuer’s right, title and interest in and to the Pledged Receipts.

“Pledged Receipts” is defined in the Indenture to include (1) all Pledged Federal Direct GARVEE Payments and (2) all Pledged Federal Reimbursement Payments.

“Pledged Federal Direct GARVEE Payments” is defined to include “all federal surface transportation funds received from the United States government which represent a federal reimbursement to the Department for the federal share of debt service on the Bonds and other costs and expenses incurred by the Issuer relating to the Bonds, as described in Section 40-702(5) Idaho Code, as amended, and on deposit in the State Highway Account or the GARVEE Debt Service Fund in such amounts as are certified from time to time by the Issuer to the State Controller, the State Treasurer and the Board as necessary for payment of principal, interest and other amounts required for the Bonds.”

“Pledged Federal Reimbursement Payments” are defined to include “all federal surface transportation funds received from the United States government which represent a federal reimbursement to the Department for funds advanced by the Department to pay the federal share of the cost of transportation projects not being financed with proceeds of the Bonds, as described in Section 40-702(5) Idaho Code, as amended, and on deposit in the State Highway Account or the GARVEE Debt Service Fund in such amounts as are certified from time to time by the Issuer to the State Controller, the State Treasurer and the Board as are necessary for payment of principal, interest and other amounts required for the Bonds.”

The Board and the Department have agreed in the Financing Agreement that debt service on the Bonds will be made using FHWA Funds received from the FHWA through continuous appropriation from the State Highway Account and the GARVEE Debt Service Fund. The Board and the Department have also agreed to pay, or cause to be paid, subject to applicable requirements for annual appropriation of funds, in equal monthly installments on or before the 5th day of each month according to a schedule provided in the Financing Agreement from the State Highway Account first to the GARVEE Debt Service Fund and then to the Trustee for deposit into the General Account of the Revenue Fund the sums set forth in the Financing Agreement as payment of the state matching fund requirement. If such matching funds are deposited with the Trustee by the Department then the amounts of deposits will be credited against the amount of the continuous appropriation from the State Highway Account and the Garvee Debt Service Fund required to pay the Bonds. In addition, the Board and the Department have

agreed in the Financing Agreement to arrange for the scheduled debt service payment to be remitted to the Trustee from the GARVEE Debt Service Fund at least three (3) Business Days prior to the scheduled debt service payment date.

The Trustee shall, upon receipt, deposit all Pledged Receipts into the General Account of the Revenue Fund. The Trustee shall also deposit into the General Account of the Revenue Fund all other moneys delivered to the Trustee by the Department or the Board for deposit into such account. On the 5th Business Day prior to each Interest Payment Date, the Trustee shall deliver a written certification in the form required by the Indenture to the Issuer, the State Controller, the State Treasurer and the Board specifying the total amount of funds on deposit in the General Account of the Revenue Fund and indicating that such amount shall be applied as a credit against the continuously appropriated amount required to be paid over to the Trustee prior to such Interest Payment Date for the payment of principal, interest and other amounts required for Bonds as directed by the Issuer pursuant to Section 40-718(2) Idaho Code, as amended.

Under the Financing Agreement, the Issuer has agreed to issue the Bonds at the request and with the approval of the Department and the Board. The Department and the Board have agreed that debt service on the Bonds will be made using FHWA Funds in the State Highway Fund and the GARVEE Debt Service Fund.

“FHWA Funds” are defined to mean “all federal surface transportation funds described in Section 40-702(5) Idaho Code, as amended, which can be used to pay debt service on bonds and which are deposited into the State Highway Account.”

The State Highway Account and the GARVEE Debt Service Fund are funds so designated, created and established under the Idaho Code.

Continuing appropriations by the Idaho Legislature to pay amounts due on the Bonds will be made from FHWA Funds available to the Department and the State pursuant to the Memorandum of Agreement approved by the FHWA pursuant to Section 122 of Title 23, United States Code, Highways for such purpose and other FHWA Funds in the State Highway Account.

Continuing appropriations by the Idaho Legislature are “continuing” through the maturity of the Bonds. No additional “annual appropriations” are required once the Idaho Legislature has approved the continuing appropriation amounts necessary to pay debt service on the Bonds. Funds in the State Highway Account and the GARVEE Debt Service Fund are made available to the Trustee upon the certification by the Issuer to the State Controller, the State Treasurer and the Board of the amounts required to pay the debt service and other necessary and related costs on the Bonds.

In the Act, the State has pledged to and agreed with the bondholders that it will not limit or alter the rights vested in the Issuer to fulfill the terms of any agreements made with them, or in any way impair the rights and remedies of the bondholders until the bonds, including the Bonds, together with the interest thereon and on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of such holders, are fully met and discharged.

As part of its other financing programs, the Issuer has reserved the right to issue other obligations not secured or payable from the proceeds, moneys, rights and collections pledged to the payment of the Bonds.

The Board and the Idaho Legislature have approved the issuance of the Bonds to fund the Project and the Idaho Legislature has authorized a continuous appropriation as security for the Bonds.

The Issuer may issue Additional Bonds, at the request of the Department, for additional projects included in the Program. Additional projects and Additional Bonds to fund such projects require the approval of the Board and the Idaho Legislature. See “Additional Bonds” below. All Bonds issued under the Master Indenture, including Additional Bonds, are equally and ratably secured by the pledges and covenants contained therein.

The Bonds are also secured by certain other funds and accounts pledged therefor and described herein. See “EXHIBIT B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” and “EXHIBIT C - SUMMARY OF CERTAIN PROVISIONS OF THE MASTER FINANCING AGREEMENT AND THE SEVENTH SUPPLEMENT THERETO” herein.

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE ISSUER. THE BONDS AND THE INTEREST THEREON DO NOT REPRESENT OR CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY, GENERAL OR MORAL OBLIGATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER. THE BONDS ARE NOT A DEBT OR LIABILITY OF THE STATE OF IDAHO, THE LEGISLATURE THEREOF OR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR BODY CORPORATE AND POLITIC THEREIN. NEITHER THE STATE OF IDAHO, THE LEGISLATURE THEREOF NOR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR OTHER BODY CORPORATE AND POLITIC THEREIN IS LIABLE FOR THE BONDS AND THE BONDS DO NOT CONSTITUTE THE GIVING, PLEDGING OR LOANING OF THE CREDIT OF THE STATE OF IDAHO, THE LEGISLATURE THEREOF OR ANY POLITICAL SUBDIVISION, MUNICIPALITY OR OTHER BODY CORPORATE AND POLITIC THEREIN, NOR SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OTHER THAN THOSE OF THE ISSUER WHICH ARE A PART OF THE TRUST ESTATE PLEDGED TO THE PAYMENT OF PRINCIPAL OF OR INTEREST ON THE BONDS. THE ISSUER HAS NO TAXING POWER.

Additional Bonds

Under the Indenture, the Issuer has reserved the right and authority to issue Additional Bonds if it has received a certificate of an Authorized Representative of the Department stating that, as required by Section 40-315(3) Idaho Code, scheduled debt service and other bond-related expenses on or relating to the Bonds (including the Additional Bonds or Refunding Bonds to be issued) during each of the State Fiscal Years 2007 through 2010 shall be limited to no more than twenty percent (20%) of the annual federal-aid apportionment reasonably expected to be received by the Department during the related State Fiscal Year; and during each of the State Fiscal Years 2011 and thereafter, scheduled debt service and other bond-related expenses on or relating to the Bonds (including the Additional Bonds or Refunding Bonds to be issued) shall be limited to no more than thirty percent (30%) of annual federal-aid highway apportionment reasonably expected to be received by the Department during the related State Fiscal Year. All Bonds issued under the Master Indenture, including Additional Bonds, are equally and ratably secured by the pledges and covenants contained therein.

“State Fiscal Year” is defined as the fiscal year of the State currently commencing on July 1 of any year ending June 30, of the ensuing year, or any other fiscal year of the State.

In addition, the Issuer has reserved the right, in addition to issuing additional Bonds as described in the first paragraph under this heading, to issue Refunding Bonds which may be on a parity as to security with the Bonds in order to refund any Bonds then Outstanding, so long as Maximum Annual Debt Service is not increased as a result of issuing such Refunding Bonds or the requirements described in the first paragraph under this heading are satisfied.

The Issuer has also reserved the right to issue bonds that are secured by a pledge of the Pledged Receipts that is subordinate to the pledge created by the Indenture which do not rank on a basis of equality and parity with the Bonds, but only if such subordinate bonds are issued in express recognition of the priorities, liens and rights created and existing for the security and source of payment and protection of the Bonds.

THE PROGRAM

The GARVEE Transportation Program (the “Program”) began with the passage of the enabling legislation in 2005 which identified 13 eligible projects or corridors in Idaho Code section 40-315. The legislation authorizes the Board to request bonding authority from the Idaho Legislature to finance certain regionally significant corridors stretching from the northern-most part of Idaho to the southeast corner of the state. The Program is currently planned to utilize \$857 million in proceeds, from bonds issued under six legislative authorizations, to fund projects on six (6) of the original corridors. The original Program total was \$998 million, however the removal of one project that was funded by the American Recovery & Reinvestment Act of 2009 and the substantial cumulative bid savings on contracts has resulted in a reduced Program size. The Board has authority to make allocations and reallocations of Bond proceeds among the approved projects. To optimize savings of approximately \$80 million program-wide, three additional projects were included in the Idaho Transportation Improvement Plan (ITIP) approved by the Board at their September 2012 meeting. These additional projects are the reconstruction of the Meridian Interchange, Broadway Interchange, and Gowen Interchange projects on Interstate 84 in the Treasure Valley. These project descriptions and budgets are included in the corridor summaries below.

The six corridors in the Program are:

US-95, Garwood to Sagle. This project includes an environmental decision, design, right of way acquisition, and construction of a portion of the 31.5-mile multi-lane divided highway and two new interchanges between the area of Garwood and the town of Sagle. A total of \$117.2 million is allocated to this project in the current \$857 million Program.

US-95, Worley to Setters. This project includes construction of 4.2 miles of four-lane divided highway and a new interchange in the 21-mile corridor between Worley and Coeur d’Alene. A total of \$55.2 million is allocated to this project in the current \$857 million Program.

SH-16, I-84 to South Emmett. This project includes an environmental decision, design, right of way acquisition, and construction of a portion of four-lane highway extension of SH-16 south from its present terminus at SH-44 to Interstate 84 between Nampa and Meridian. A total of \$103.0 million is allocated to this project in the current \$857 million Program.

I-84, Caldwell to Meridian. This project includes an environmental decision, design, right of way acquisition and reconstruction of a portion of the modernized interstate and interchanges from Meridian west to the cities of Nampa and Caldwell, including reconstruction or modification of 12 interchanges or structures and a new interchange at Ten Mile Road. A total of \$274.6 million is allocated to this project in the current \$857 million Program.

I-84, Orchard to Isaacs Canyon. This project includes design, right of way acquisition and reconstruction of a portion of the modernized interstate, and reconstruction of four interchanges through the City of Boise. A total of \$177.7 million is allocated to this project in the current \$857 million Program.

US-30, McCammon to Lava Hot Springs. This project includes design and construction of a portion of the four-lane highway from Interstate 15 from McCammon to Lava Hot Springs. A total of \$85.4 million is allocated to this project in the current \$857 million Program.

Please refer to the map located on the inside back cover.

GARVEE Program Management. A total of \$43.9 million is currently allocated to management services in the current \$857 million Program, which include management services for planning, design and construction of GARVEE corridors and projects.

The following table shows the legislative authorizations and requests schedule for the Program:

<u>Project</u>	Legislative Authorization (in \$ Millions)						<u>Total</u>
	<u>FY 2007</u> ¹	<u>FY 2008</u> ¹	<u>FY 2009</u> ¹	<u>FY 2010</u> ¹	<u>FY 2011</u> ¹	<u>FY 2012</u> ¹	
US-95, Garwood to Sagle	\$27.2	\$51.9	\$0.9	\$0.2	\$0.0	\$37.0	\$117.2
US-95, Worley to Setters	49.7	4.6	0.6	0.3	0.0	0.0	55.2
SH-16, I-84 to South Emmett	8.8	22.2	11.2	29.3	11.5	20.0	103.0
I-84, Caldwell to Meridian	52.5	98.7	45.2	44.5	0.0	33.7	274.6
I-84, Orchard to Isaacs Canyon	28.2	30.0	54.0	0.0	0.0	65.5	177.7
US-30, McCammon to Lava Hot Springs	27.8	36.5	16.7	3.8	0.0	0.6	85.4
Program Management	<u>20.4</u>	<u>8.5</u>	<u>5.4</u>	<u>3.9</u>	<u>0.5</u>	<u>5.2</u>	<u>43.9</u>
Totals	<u>\$214.6</u> ²	<u>\$252.4</u> ²	<u>\$134.0</u> ²	<u>\$82.0</u> ²	<u>\$12.0</u> ²	<u>\$162.0</u> ³	<u>\$857.0</u>

Source: Idaho Transportation Department

1. The FY 2007, 2008, 2009, 2010, 2011, and 2012 requests have been approved by the Idaho Legislature.
2. Funded from proceeds of the 2006 Bonds, 2008 Series A Bonds, 2009 Series A Bonds, 2010 Series A Bonds and 2011 Series A Bonds and earnings on such proceeds.
3. Funded from proceeds of the 2011 Series A Bonds, 2012 Series A Bonds and the anticipated 2014 Series A Bonds and earnings on such proceeds. The 2014 Series A Bonds will be issued pursuant to FY 2012 legislative authorization.

THE PROJECT

The projects being financed with the proceeds of the Bonds consist of, collectively, the “Bond Financed Projects” as more particularly described in the Memorandum of Agreement and in the Financing Agreement. The “Bond Financed Projects” are all included in the State Improvement Program (STIP) and have been approved in the Memorandum of Agreement.

Proceeds from the 2014 Series A Bonds will fund the following projects that were included in funding authorizations previously approved by the Idaho Legislature and subsequently approved by the Board in September 2012:

US-95, Garwood to Sagle. The proceeds of the 2014 Series A Bonds will provide no additional funding for this project, as it has been completely funded.

US-95, Worley to Setters. The proceeds of the 2014 Series A Bonds will provide no additional funding for this project, as it has been completely funded.

SH-16, I-84 to South Emmett. The proceeds of the 2014 Series A Bonds will provide no additional funding for this project, as it has been completely funded.

I-84, Caldwell to Meridian. The proceeds of the 2014 Series A Bonds will provide \$26.3 million for the remaining construction phases of this project.

I-84, Orchard to Isaacs Canyon. The proceeds of the 2014 Series A Bonds will provide \$54.8 million for the remaining construction phases of this project.

US-30, McCammon to Lava Hot Springs. The proceeds of the 2014 Series A Bonds will provide no additional funding for this project, as it has been completely funded.

GARVEE Program Management. The proceeds of the 2014 Series A Bonds will provide \$0.8 million for the remaining construction phases of this project.

To the extent necessary, the Board has authority to make allocations and reallocations of Bond proceeds among the approved projects.

THE EXISTING PROJECT

All of the proceeds from the 2006 Bonds, 2008 Series A Bonds, 2009 Series A Bonds, 2010 Series A Bonds, 2011 Series A Bonds and 2012 Series A Bonds have been obligated to date. As of October 2013, \$778 million in contracts have been awarded and \$739 million expended. The environmental approval is complete on all six corridors in the current Program. Design is underway on two of the corridors that contain additional projects that were added in late 2012, and right of way acquisition is underway on one of the corridors that contains such additional projects. Construction is currently underway in two of the corridors, will begin in spring 2014 in two of the corridors that contain additional projects, and is completely finished in two of the corridors. Funding for all six of the corridors has been fully authorized by the Idaho Legislature.

Proceeds from the 2006 Bonds, 2008 Series A Bonds, 2009 Series A Bonds, 2010 Series A Bonds, 2011 Series A Bonds and 2012 Series A Bonds funded projects in the current Program as follows:

US-95, Garwood to Sagle. The proceeds of the 2006, 2008 Series A, 2009 Series A, 2010 Series A and 2011 Series A Bonds provided \$117.2 million for the environmental, design, right of way acquisition, and construction phases of this project.

US-95, Worley to Setters. The proceeds of the 2006, 2008 Series A, 2009 Series A and 2010 Series A Bonds provided \$55.2 million for the final design and construction phases of this project.

SH-16, I-84 to South Emmett. The proceeds of the 2006, 2008 Series A, 2009 Series A, 2010 Series A, 2011 Series A and 2012 Series A Bonds provided \$103.0 million for the environmental, design, right of way acquisition and construction phases of this project.

I-84, Caldwell to Meridian. The proceeds of the 2006, 2008 Series A, 2009 Series A, 2010 Series A and 2011 Series A Bonds provided \$248.3 million for the environmental, design, right of way acquisition, and construction phases of this project.

I-84, Orchard to Isaacs Canyon. The proceeds of the 2006, 2008 Series A, 2009 Series A, 2010 Series A and 2011 Series A Bonds provided \$122.9 million for the design, right of way acquisition and construction phases of this project.

US-30, McCammon to Lava Hot Springs. The proceeds of the 2006, 2008 Series A, 2009 Series A, 2010 Series A and 2011 Series A Bonds provided \$85.4 million for the design, and construction phases of this project.

GARVEE Program Management. The proceeds of the 2006, 2008 Series A, 2009 Series A, 2010 Series A and 2011 Series A Bonds provided \$43.1 million for the Program and Project Management services of this program.

To the extent necessary, the Board has authority to make allocations and reallocations of Bond proceeds among the approved projects.

ESTIMATED SOURCES AND USES OF FUNDS

Sources and Uses of Funds

The sources and uses of funds are to be applied as follows:

Sources

Par Amount of the 2014 Series A Bonds
Plus: Original Issue Premium
Total Sources

Uses

Deposit to Project Fund
Cost of Issuance*
Total Uses

* Includes underwriters' discount, legal, printing, rating agency fees, trustee fees, and other expenses of the issuance and offering of the 2014 Series A Bonds.

INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS

The Federal-Aid Highway Program

The Federal-Aid Highway Program (FAHP) is an “umbrella” term that encompasses most of the federal programs providing highway funds to the states. Prior to enactment of MAP-21, the most recent authorization (see “MAP-21” below), these programs included the Interstate Maintenance Program, the Bridge Program and the National Highway System Program, among others. MAP-21 consolidates many of these programs into five core funding programs: the National Highway Performance Program, the Surface Transportation Program, the Congestion Mitigation and Air Quality Improvement Program, the Highway Safety Improvement Program, the Railway-Highway Crossings Program and the Metropolitan Planning Program. The Federal Highway Administration (FHWA) is the federal agency within the U.S. Department of Transportation responsible for administering the FAHP. The FAHP is financed from the transportation user-related revenues deposited in the federal Highway Trust Fund. The primary source of revenues in the federal Highway Trust Fund is derived from the federal excise taxes on motor fuels. Other taxes include excise taxes on tires, trucks and trailers, and truck use taxes.

It should be noted that the terms and conditions of participation in the FAHP as described herein are subject to change at the discretion of Congress, and there can be no assurance that the laws and regulations now governing the FAHP will not be changed in the future in a manner that may adversely affect the ability of the State to receive adequate FHWA Funds to pay the debt service on the Bonds.

Certain FAHP features or requirements are explained or further defined where they appear below but are introduced here for reference:

- *The Federal Highway Trust Fund (the “HTF”)*: The HTF is a dedicated federal fund with dedicated revenues held in trust for reimbursement of expenditures by the states for costs of eligible transportation projects, including highway projects.
- *Authorization*: “Authorization” is the process by which Congress authorizes the expenditure of federal revenues on federal programs. For the FAHP, authorization historically has been provided on a multi-year basis. This, together with the availability of HTF revenues and future HTF collections permits states more certainty in planning long-term highway projects. The previous multi-year authorization, SAFETEA-LU, became law on August 11, 2005. The original SAFETEA-LU legislation expired on September 30, 2009 but was subsequently extended to September 30, 2012. See “SAFETEA-LU” below. The most recent authorization, MAP-21, became effective on October 1, 2012. MAP-21 will expire in September 2014. See “MAP-21” below.
- *Apportionment*: For each Federal Fiscal Year (“FFY”), the FHWA apportions the authorized funding among the states according to formulas that are established in authorizing statutes. The distribution of federal funds that do not have a statutory formula is called “allocation” rather than “apportionment.”
- *Obligation Authority*: “Obligation” is the commitment of the federal government to pay, through reimbursements to a state, its share of the eligible expenditures on an approved project. The amount of such federal revenues that a state can obligate in a given FFY is called its “Obligation Authority.”
- *Advance Construction*: The Advance Construction procedure allows states to commence eligible projects without first having to obligate the federal government’s share of expenditures. Thus, states may begin a project before amassing all of the Obligation

Authority needed to cover the federal government's share. The Project is an Advance Construction Project.

- *Partial conversion of Advance Construction:* Under partial conversion of Advance Construction, in a given year a state may convert Advance Construction to Obligation Authority and thus be eligible for reimbursement for a portion of the federal share of an Advance Construction project in that or in a subsequent FFY. This removes any requirement for the state to wait for reimbursements until the full amount of Obligation Authority needed for the entire project is available.

These features of the FAHP work in a complementary fashion to provide a regular flow of federal reimbursements over the years to state highway projects.

The participation of the State in such reimbursements, and the role of such participation in providing payment and security for the Bonds, is discussed in "FEDERAL AID REVENUES" herein.

Although FHWA provides funding for eligible highway projects, federal-aid highways are under the administrative control of the state or local government responsible for their operation and maintenance.

Title 23, United States Code, entitled "Highways", includes most of the laws that govern the FAHP arranged systematically or codified. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and which need not be reenacted each time the FAHP is reauthorized. Periodically, sections of Title 23 may be amended or repealed through surface transportation acts.

Reauthorization

The FAHP must be periodically reauthorized by Congress. Following a number of prior multi-year authorizations, the Transportation Equity Act for the 21st Century ("TEA-21") was enacted in 1998 and authorized programs over the six-year period from Federal Fiscal Years 1998 through 2003.

SAFETEA-LU. The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU") became law on August 10, 2005, and authorized programs over the four-year period from Federal Fiscal Years 2006 through 2009. Between the expiration of TEA-21 in September 2003, and the enactment of SAFETEA-LU in August 2005, Congress enacted 12 interim authorization measures for varying periods. Since the expiration of SAFETEA-LU in September 2009, Congress has enacted 10 interim authorization measures.

MAP-21. The Moving Ahead for Progress in the 21st Century Act ("MAP-21") was signed into law on July 6, 2012. MAP-21 extends SAFETEA-LU through the end of FFY 2012. MAP-21 authorizes funding for the FAHP of approximately \$37.5 billion for FFY 2013 and \$37.8 billion for FFY 2014. MAP-21 extends the imposition of the highway-user taxes, generally at the rates that were in place when the legislation was enacted, through September 30, 2016. In addition, it extends provision for deposit of almost all of the highway-user taxes into the HTF through September 30, 2016.

MAP-21 restructures the core federal highway programs. Activities previously carried out under the National Highway System Program, the Interstate Maintenance Program and the Highway Bridge Program, among others, are incorporated by MAP-21 into the following new core formula programs: National Highway Performance Program, Surface Transportation Program, Congestion Mitigation and Air Quality Improvement Program, Highway Safety Improvement Program, Railway-Highway Crossings and Metropolitan Planning.

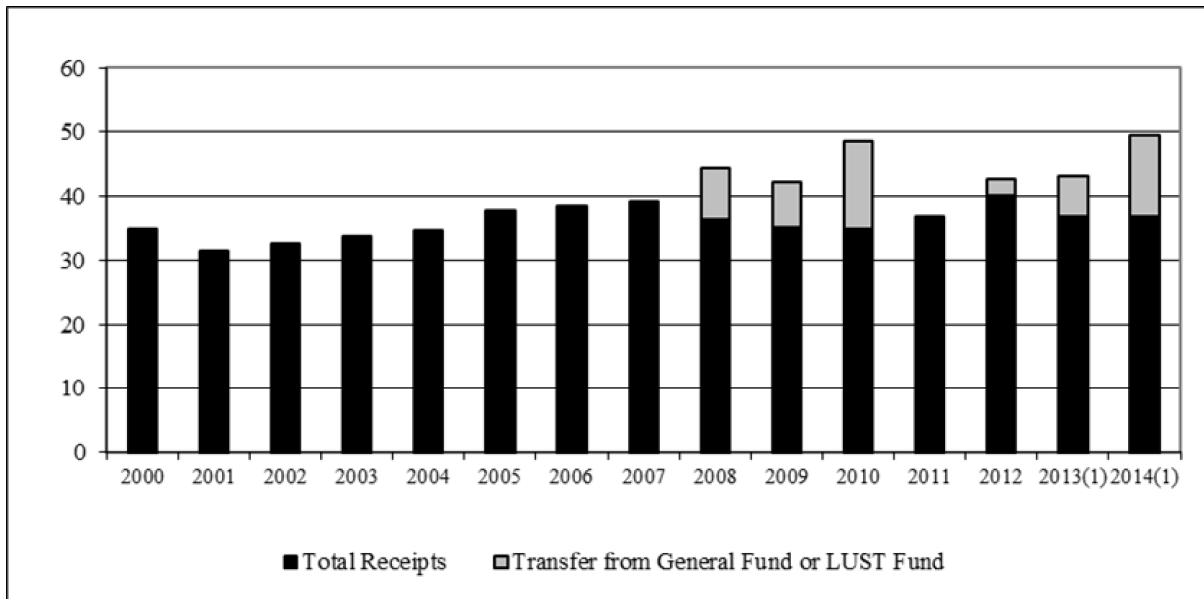
ALTHOUGH MEASURES HAVE BEEN ENACTED BY CONGRESS IN THE PAST, NO ASSURANCE CAN BE GIVEN THAT SUCH MEASURES WOULD OR COULD BE ENACTED IN THE FUTURE TO MAINTAIN THE FLOW OF FEDERAL-AID FUNDING UPON TERMINATION OF EITHER A SHORT-TERM OR MULTI-YEAR AUTHORIZATION PERIOD.

Federal Highway Trust Fund

The Federal Highway Trust Fund (HTF) provides the primary funding for the FAHP. Funded by a collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the HTF is a fund established by law to hold dedicated highway-user revenues that are used for reimbursement of the state's cost of eligible transportation projects (which may include debt service on obligations issued to finance a federal-aid project), including highway projects. The HTF is composed of two accounts: the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. The Highway Account receives approximately 84% of gasoline tax revenues and 88% of diesel fuel revenues, with the remaining share of such revenues deposited in the Mass Transit Account.

Federal gasoline excise taxes are the largest revenue source for the HTF. The majority of these tax revenues, including 15.44 cents per gallon out of the current 18.4 cents per gallon tax, go to the Highway Account. The following table shows annual and projected HTF collections for the Federal Fiscal Years 2000 through 2014.

**Payments into the Highway Trust Fund
Federal Fiscal Years 2000-2014 (in billions)**



Source: FFY 2000 through FFY 2012, Highway Statistics 2012, Office of Highway Policy Information, FHWA, Table FE-210. Excludes interest on balances and TIFIA loan repayments.

(1) FFY 2013 and FFY 2014 estimates are based on MAP-21 Funding Tables.

The imposition of the taxes that are dedicated to the HTF, as well as the authority to place the taxes in the HTF and to expend moneys from the HTF, all have expiration dates which must be extended periodically. The life of the HTF has been extended several times since its inception, most recently by

MAP-21 (as described above). The HTF is required under current federal law to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met.

As part of its annual budget forecast issued on January 24, 2007, the nonpartisan Congressional Budget Office (“CBO”) reported that if Congress adhered to the highway and safety spending levels authorized in SAFETEA-LU, absent other measures, the Highway Account of the HTF would go into deficit early in Federal Fiscal Year 2009, before SAFETEA-LU expired.

In response to shortfalls predicted by the CBO as well as other governmental entities, Congress transferred from the federal general fund to the HTF in Federal Fiscal Years 2008, 2009 and 2010 an aggregate total of approximately \$34.5 billion, of which approximately \$5 billion was provided to the Mass Transit Account within the HTF. These actions allowed state departments of transportation to continue to meet their financial obligations and sustain hundreds of millions of dollars of construction projects.

MAP-21 provides for additional transfers from the federal general fund of \$6.2 billion in FFY 2013 and \$12.8 billion in FFY 2014 to the HTF, of which \$2.2 billion is provided to the Mass Transit Account within the HTF. In addition, MAP-21 transferred \$2.4 billion from the Leaking Underground Storage Tank Trust (LUST) Fund to the HTF.

Amounts in the HTF can be affected by the rate of expenditure of money in the fund as well as a number of revenue-impacting factors. One significant factor is the decline in vehicle miles traveled (VMT) since 2007, which impacts revenue from gasoline and diesel sales. It cannot be determined whether any further decline in VMT and increases in vehicle fuel economy will have an adverse impact on the HTF or the availability of Federal Transportation Funds to pay debt service on the 2014 Series A Bonds.

With MAP-21’s expiration on September 30, 2014, various proposals are being considered to address the Highway Trust Fund’s future funding. There can be no assurance that any of these proposals will be enacted by Congress.

Impact of Sequestration. The Office of Management and Budget issued a report pursuant to the Sequestration Transparency Act of 2012 (P. L. 112–155) on the consequences of sequestration for governmental operations. The mandate from the Budget Control Act of 2011 (P. L. 112-25) requires, among other things, a 9.4 percent reduction for certain non-exempt defense discretionary programs, an 8.2 percent reduction for certain non-exempt nondefense discretionary programs and a 7.6 percent reduction for certain non-exempt nondefense mandatory programs, beginning in January 2013. The Bipartisan Budget Act of 2013 reduces some of the spending cuts required by sequestration for FFY 2014 and FFY 2015. Under Title 23, revenues deposited into the HTF carry “mandatory budget authority” in the form of federal contract authority. Federal contract authority exempts HTF revenues subject to obligation limitation from reduction; therefore, the dedicated tax revenues deposited into the HTF are not subject to sequestration. However, federal contract authority not subject to obligation limitation is subject to reduction at an annual rate of 7.6 percent; therefore, any future transfers from the federal general fund to the HTF are subject to reduction, lowering the balance in the HTF. The Department believes that such reduction has not and will not materially affect the amount of funding provided to the State under the FAHP.

Impact of Lack of Annual Appropriation Bills. All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. As described under “--Reauthorization--MAP-21” above, MAP-21 authorizes the levying and dedication of the HTF revenue

sources through September 30, 2016 while also providing obligation limitation for FFY 2013 and FFY 2014. Because of the HTF’s contract authority, even in the event of a lack of annual appropriation bill, HTF revenues continue to flow to the States. Further, FHWA employees are paid using contract authority. On September 27, 2013 the federal Department of Transportation released a report titled Operations During a Lapse in Annual Appropriations; Plans by Operating Administration. In this report, it was noted that all FHWA operations continue as normal during a lapse in annual appropriations and no FHWA employee positions are to be furloughed. It was further noted that FHWA has sufficient liquidating cash to continue operations during a lapse in annual appropriations.

Rescission

Since 2005, Congress has taken action to reduce unobligated balances of previously authorized funds by issuing the following rescissions. Not included is a rescission (FHWA Notice N 4510.711) on September 30, 2009, in the amount of approximately \$8.7 billion, which was reversed on March 18, 2010, through H.R. 2847.

Rescissions of Unobligated Balances

<u>Date</u>	<u>National Amount</u>	<u>Source:</u>	
		<u>FHWA Notice</u>	<u>Public Law No.</u>
12/28/2005	\$1,999,999,000	N 4510.578	109-115
03/21/2006	1,143,000,000	N 4510.588	109-148
07/05/2006	702,362,500	N 4510.606	109-234
03/19/2007	3,471,582,000	N 4510.643	110-5
06/20/2007	871,022,000	N 4510.647	110-28
03/04/2008	3,150,000,000	N 4510.673	110-161
04/13/2009	3,150,000,000	N 4510.707	111-8
08/13/2010	2,200,000,000	N 4510.729	111-226
06/30/2011	<u>2,500,000,000</u>	N 4510.735	112-10
Total	\$19,187,965,500		

All of such rescissions were spread among the 50 states on a proportional basis, the first three based on certain Federal Fiscal Year 2006 apportionments, the fourth and fifth on certain Federal Fiscal Year 2007 apportionments, the sixth on certain Federal Fiscal Year 2008 apportionments, the seventh and eighth on certain Federal Fiscal Year 2009 apportionments and the last on certain Federal Fiscal Year 2011 apportionments. Further rescissions are possible and may have a more adverse effect on the State and its highway program. Although rescissions could be large enough to impact Obligation Authority, to date they have not.

Operations

The present FAHP continues to reimburse a large percentage of state expenditures for approved highway projects. The financial assurance provided by the FAHP is unusual among federal programs in that:

- The FAHP is based on dedicated revenues, from a user-tax source, deposited in a dedicated trust fund (the HTF);
- The budget and contract authority of the FHWA is typically established by a multi-year authorization act rather than annually through appropriation acts (see “-Reauthorization” above); and

- Contract authority is not at risk during the annual appropriations process (as budget authority is in most other federal programs), although an appropriations act is required in order to liquidate obligations.

The process for reimbursing state expenditures may be summarized in three steps: authorization, obligation and program implementation. The authorization step is the most critical step in establishing overall spending authority for federal highway funding. Authorizing legislation extends the life of the FAHP and the collections that fund the HTF, sets FAHP objectives and provides formulas for determining the distribution or apportionment of available resources among the states. The existence of the dedicated revenues in the Highway Account of the HTF and the existence of multi-year (or under interim authorizations, multi-month) contract authorizations are designed to help to make available a predictable and uninterrupted flow of reimbursements to the states. The risk of contract authority lapsing between authorizing acts is minimal since sufficient unobligated balances generally exist that cover gaps in coverage between multi-year (or multi-month) reauthorization acts.

The second step, obligation, is the process through which states make use of, or “obligate,” the contract authority that has been apportioned or allocated to them in the authorization process (Step 1). Congress typically limits the amount of Obligation Authority that states may use annually. To whatever extent that a state’s Obligation Authority is set below its authorization, the unobligated balance for that state is increased. These unobligated balances provide available funds, from which the FHWA allows states to draw, when there is a lapse period between authorization acts. But under current law the unobligated balances do not otherwise entitle the states to additional funds.

The third step, program implementation, leads to actual receipt of federal funds by states. FAHP implementation methods vary state-by-state. States are permitted to make use of Advance Construction and partial conversion of Advance Construction in order to obligate varying amounts of federal funds to an eligible project from FFY to FFY, depending on how much of the state’s Obligation Authority is available from the FAHP and is desired for such use by the state.

Step 1: Authorization

The first step, and the most crucial in financing the FAHP, is the multi-year (or under interim authorizations, multi-month), authorizing legislation. Such highway authorization acts:

- Establish the taxes that fund the HTF and extend their life (reauthorization);
- Establish the specific programs and procedures through which states receive federal financial assistance for their highway programs; and
- Set upper limits on funding for specific programs and for overall FAHP.

Annual Distributions. For most components of the FAHP, the authorization acts set the distribution of spending authority among states. The primary methods used to distribute authorized federal highway revenues are “apportionment” and “allocation”:

- Apportionments. The contract authority created by authorization acts such as SAFETEA-LU and MAP-21 is distributed annually among the 50 states, the District of Columbia, and Puerto Rico using a process called apportionment of revenues. Apportionments indicate the maximum amount of contract authority that each state can expend for eligible projects in specific programs. For each FFY, the FHWA has responsibility for apportioning authorized funding for the various programs among the states according to formulas established in the authorizing statute. Annual apportionments are generally made on the first day of the federal fiscal year, which is October 1.

- Allocations. While most highway revenues are distributed to states through apportionments, some funding categories do not contain legislatively-mandated apportionment formulas. Distribution of revenues where there are no statutory formulas is called “allocation” or “discretionary allocation”. In most cases, allocated federal funding is divided among states using criteria determined administratively by the federal Department of Transportation or as provided in a statute, often through competitive grant procedures.

Apportionment formulas have been designed historically to ensure distribution of federal revenues among states according to program needs, but are also increasingly intended to provide states a share of total HTF expenditures relatively close to their payments into the HTF.

Availability of Federal Highway Revenues. Federal-aid highway revenues are available to states for use for more than one year. Their availability does not terminate at the end of the FFY, as is the case with many other federal programs. Consequently, when new apportionments or allocations are made, the amounts are added to a state’s unused apportionments and allocations from the previous FFY. Should a state fail to *obligate* (commit to spend) a year’s apportionments and allocations within the period of availability specified for a given program, however, the authority to obligate any remaining amount lapses—that is, it is no longer available except for a few programs which receive indefinite, or “no-year” Obligation Authority.

Matching Requirements. With a few exceptions, the federal government does not pay for the entire cost of construction or improvement of federal-aid highways. Federal reimbursements are typically matched with state and/or local government revenues to account for the necessary dollars to complete the project. The maximum federal share is specified in the legislation authorizing the program. Most projects have an 80% federal share while interstate construction and maintenance projects typically have been funded with a 90% federal share. However, the federal share in Idaho is frequently higher because of the amount of land owned by the federal government in Idaho.

Step 2: Obligation

The second step of the federal-aid funding process occurs when revenues that have been authorized by legislation, and either apportioned or allocated to individual states, are obligated for a specific purpose. As noted in the previous section, Congress uses annual appropriations acts to control actual annual obligation of funds in the HTF. Appropriations acts limit the amount of federal money that actually will be obligated and thus ultimately spent, and these annual amounts may be less than the authorized amount. This ceiling on the amount of contract authority that states may use is called the “annual obligation limit.”

Obligation is the commitment of the federal government to pay, through reimbursement to a state, the federal government’s share of an approved project’s eligible costs, which may include debt service on obligations issued to finance a project. This process is important to the states because it allows states to award contracts with assurance that the federal government will reimburse its share of incurred costs. From the federal perspective, obligations made are the outlays the federal government has committed to make from the HTF in the future. Once an obligation is made, the federal government reimburses the states when bills or payments become due.

Once Congress establishes an overall obligation limitation, the FHWA distributes Obligation Authority to states proportionately based on each state’s share of apportioned and allocated revenues. The actual ratio of Obligation Authority to apportionments and allocations may vary from state to state because some federal-aid programs are exempt from the obligation limitation. Once each state’s Obligation Authority is set, states then submit requests to the FHWA to obligate revenues representing

the federal share of specific projects throughout the years. (A further description of this process is included in Step 3.) As a state obligates revenues, its balance of Obligation Authority is commensurately reduced, although additional Obligation Authority may be received (e.g., via re-allocation from other states).

A state's Obligation Authority (unlike its apportionments and allocations of authorized funding) must be used before the end of the FFY for which it is made available; if not, it will be distributed to other states. The FHWA closely monitors each state's plans for use of Obligation Authority. In mid-summer, the FHWA collects any Obligation Authority from states that do not plan to obligate all of their available Obligation Authority before the end of the FFY, and redistributes it to other states that can obligate the revenues. This reallocation of Obligation Authority is known as the August redistribution.

Unobligated Balances. Because congressional authorization of federal-aid highway revenues represents a commitment to make all authorized revenues available to states for highway purposes, any shortfall between the limit on Obligation Authority created through the annual appropriations process and the amount of contract authority apportioned and allocated to states does not disappear. Instead, the difference between obligation limitations and authorization levels creates what are known as "unobligated balances."

Although most federal-aid apportionments lapse after four years, this rarely happens with apportioned highway revenues because old apportionments are always spent before new apportionments. That is, when a state receives new apportionments and Obligation Authority at the beginning of a FFY, obligations are first made against remaining prior year apportionments plus allocation until these are depleted. The net effect of this process, in conjunction with the year-to-year establishment of obligation limitations, has been that states have amassed considerable unobligated balances.

Unobligated balances permit the FAHP to continue to fund state highway projects during periods in which Congress fails to enact a reauthorization law before the expiration of the previous authorization period. In such periods, the unobligated balances allow states to continue to fund their programs for several months, or even longer, after an authorization act has expired.

Step 3: Program Implementation

The third and final step in the overall federal-aid highway funding process—program implementation—occurs after authorized revenues have been distributed to states, and after states have had the opportunity to obligate those revenues. Once federal-aid highway revenues have been authorized and obligated, states must have developed highway programs that describe, at a project-by-project level, exactly how federal reimbursements will be earned. The process of developing and implementing state highway programs has three broad stages:

- Budgeting;
- Planning and programming; and
- Fiscal management and reimbursement.

Each stage helps to ensure that states develop programs which match funding availability, and that the FHWA is able to distribute federal reimbursements to states in a timely manner.

Budgeting. Budgetary information about availability of funding is crucial to the development of state highway programs. Projected state and federal funding levels are used to budget transportation needs. Consequently, state transportation budget officials track the availability of funding and develop forecasts of future state and federal revenues. States must estimate the availability of short and long-term

state and federal funding in order to plan their highway programs. They use this information as a guide during long-range planning, and as a strict constraint on short-term programming. In Idaho, the Department's annual budget is based on projections made in light of long-range program requirements and revenue estimates for both state and federal funds. The annual budget request is prepared by the Department and presented to the Governor for submission to the Idaho Legislature at its annual session. The estimates of state revenues and federal funds are made by the Department.

Planning and Programming. The State's road planning process is structured to ensure the development of a continuous and credible highway improvement program that complements the State's overall transportation system. The process and its products have evolved considerably in recent years as the Department has lengthened its planning horizon and the Idaho Legislature has assumed a more participatory role.

Highway Capital Investment Program. Idaho's Highway Capital Investment Program (HCIP) is the major component of the State's multi-modal Statewide Transportation Improvement Program (STIP). The STIP also includes federally funded public transportation and aeronautic projects under the Department's administrative authority. Inclusion of the HCIP in the STIP ensures the accomplishment of certain conditions necessary for receiving federal highway funding for use on projects. These conditions include, ongoing public involvement in the creation and updating of the HCIP, the participation of state and local officials in the selection of projects, and consistency between Metropolitan Transportation Improvement Programs (MTIP's) and the State's HCIP. The STIP is also required to represent a realistic project funding plan within reasonable expectations of future sources of funding. Selected projects in the MTIPs and the STIP must have been determined to conform to certain air quality attainment goals in air quality non-attainment areas to remain in the STIP.

Projects in the STIP are based on the short term and long range needs continuously identified from statewide management systems as well as the vision and principals of the Department's long range plan entitled, Idaho's Transportation Vision 2004-2034. This multi-modal high level plan depicts principles and priorities surrounding corridors and regional transportation issues. It was developed after two years of public and stakeholder involvement and adopted by the Board in July 2004.

The HCIP represents a project funding and delivery schedule over a five year period. State, federal and private funding sources available for capital investment are reflected. Projects are grouped and prioritized into various funded programs as established by the Board which support the long range transportation plans of the Department. Certain programs support local projects that are accomplished for local transportation agencies outside the Department. Other outcome based programs represent project types which accomplish the system-wide safety, preservation and capacity/expansion goals adopted by the Department for the State owned highway system. Still other programs reflect special transportation related purposes aligned with particular federal or other funding sources, such as planning, air quality improvement, research, training and others.

All project costs, priorities and delivery information in the five-year HCIP is updated annually in Idaho, although a bi-annual update is acceptable under federal laws addressing STIP requirements, and the STIP may only be three years duration. New projects are typically added to the fifth year of the HCIP, especially the more complicated capacity/expansion projects with signification social, environmental, and right-of-way challenges. Only highway and transit projects in a STIP approved jointly by the Federal Highway Administration and the Federal Transit Administration (FTA) are eligible for future federal authorization (advance construction or obligation) for future reimbursement, provided all other applicable Federal laws and procedures are adhered to. Thus, inclusion in the STIP alone does not insure future Federal reimbursement of project cost.

Implementation of the Five-Year HCIP. A project is committed to be awarded for construction in the construction season corresponding to the year the project was placed in the HCIP. A project is planned and managed so this commitment can be met on time and within budget. A project which is delivered on time and within budget meets both the public's expectations and fulfills the system performance goals set forth in the Department's plans and management systems. Significant departures in a project's cost or its delivery schedule due to unanticipated factors such as reduced funding, excessive inflation, environmental concerns or volatility in public support may affect the Department's ability to meet this commitment.

Traditionally, federal and state funds are used for the planning, environmental assessment, design and right-of-way acquisition phases leading to the final design and advertisement of the project for contract letting, as well as for construction. Federal obligations of funding may be made at various times prior to award of the project to assure reimbursement of the various developmental phases leading to the project's award for construction by contract. Any project costs incurred prior to the date of a federally approved obligation of a phase are not reimbursable with federal funds.

Certain of the developmental phases must be obligated and done sequentially. Federal obligation for any one developmental phase is conditional on the successful completion of previous phases in accordance with applicable Federal laws and regulations with some projects involving FHWA reviews before a new phase can begin. For example, right-of-way acquisition may not be obligated before the environmental assessment phase is completed. A highway project and the balance of planned funding needed to complete it will remain in the HCIP (and the STIP) in a current or a future year until the State, the Federal Highway Administration or other funding partners have fully obligated their contributions to the anticipated costs for constructing the project.

Fiscal Management and Federal Highway Reimbursements. Once budgeting, planning and programming are complete, projects move into a fiscal management phase. This fiscal management process is the third element of the implementation step in the overall federal highway funding process. A state-led fiscal management system—conducted in accordance with FHWA requirements—is used to determine exactly how much federal funding will be received for each project, to obtain final FHWA authorization before projects are implemented, and to ensure timely federal reimbursement of state expenditures on contractor costs. In Idaho, these activities are performed by the Department.

States must follow federal fiscal management procedures as they implement projects that have passed through the approval and programming processes. These fiscal management procedures ensure that the FHWA and states are able to manage the process efficiently, from project authorization to actual payment of Federal Highway Reimbursements to the state.

Once federal authorizations (obligations) have occurred for any phase of development or for construction in the committed delivery year in the HCIP, a confirmed revenue source for reimbursement of the eligible project costs has been established. Such obligation amounts become the phase specific project control budgets against which charges are made under the Department's financial management system. The Department then regularly bills the FHWA (or any other funding partner) for their portion of the phase specific costs to date. Costs are typically incurred by the Department, private consultants and construction contractors.

The first step in the fiscal management process begins when a state requests authorization to use federal funding on a project. For example once the project is finally designed, the project sponsor (e.g., the Department) submits plans, specifications and estimates ("PS&Es") for a project to the FHWA division office, and requests that the FHWA approve the use of federal funding for the appropriate federal

share of the project. The project must be in the STIP and the PS&Es must identify the category of federal funding that will be used.

The FHWA evaluates the PS&Es to ensure that the project is eligible for federal funding and meets a variety of federal requirements (e.g., design standards). Provided that all requirements are satisfied, the FHWA authorizes federal participation in the project, and obligates the federal share of project costs. By obligating the revenues, the FHWA makes a commitment to reimburse the state for the federal share of eligible project costs. It sets aside the appropriate amount of that state's Obligation Authority, and also sets aside an equivalent amount of apportioned revenues by program (or programs). Accordingly, the state must have sufficient Obligation Authority to cover the level of federal participation it is requesting.

Once authorization for a project has been obtained, the state advertises the project and receives bids. Based on actual costs identified in bids, the state awards the contract to the lowest qualified bidder and submits a request to the FHWA asking for any necessary adjustments to federal obligations for the project. If approved, the amounts agreed to are included in a project agreement which identifies the revenues that will be encumbered by the state (formally applied against the state's resources), and the amount that will be reimbursed by the federal government.

Construction begins, and contractors submit bills to the state as work is completed. A state pays its contractor's bills with cash from the state treasury; the state bills the FHWA electronically for the federal share of completed work for which payment has been made; and the FHWA makes payment to the state via electronic transfer. This FHWA reimbursement to the state liquidates its obligation for the federal share of the costs incurred to that point. As project work continues and state expenditures are reported to the FHWA, federal reimbursements are made. In Idaho, reimbursement requests are submitted weekly and reimbursements are made by wire transfer generally within one to two days. The State's systems and management in general, are highly automated, leading to a routine flow of Federal Highway Reimbursements based on actual spending on approved projects.

Innovative variations on this fiscal management approach include Advance Construction and partial conversion of Advance Construction. These variations complement one another to provide a state with additional flexibility in managing its Obligation Authority and cash.

The Advance Construction approach for authorizing projects allows states to finance projects that are eligible for federal aid without obligating the federal share of costs at the outset of the project. This allows states to begin a project before amassing all of the Obligation Authority needed to cover the federal share of that project. As with the traditional approach, the state submits PS&Es to the FHWA and requests project authorization. Under Advance Construction, however, the FHWA is asked to authorize the project without obligating federal revenues. As a result, the state will cover the entire cost of the project and later may request the obligation of revenues, when sufficient Obligation Authority is available and is desired by the state. Further, the state may then take credit for state expenditures, made from project approval to that date, as a basis for earning reimbursements.

Once the FHWA authorizes a project for federal assistance, the state follows the same procedure to advertise a project, to award the contract, and to reconcile the level of state and federal funding required. The state may request that the FHWA convert its Advance Construction amount to an obligation at any time, provided the state has sufficient Obligation Authority. This conversion of Advance Construction to Obligation Authority must occur in order for the state to be reimbursed for the federal share of the project. The state can convert Advance Construction to Obligation Authority long after state expenditures are made.

Under partial conversion of Advance Construction, moreover, a state follows the steps to apply for Advance Construction but converts, obligates, and receives reimbursement for only a portion of its funding of an Advance Construction project in a given year. This removes any requirement to wait until the full amount of Obligation Authority is available. The state can thus obligate varying amounts for the project's eligible cost in each year, depending on how much of the state's Obligation Authority is available and desired by the state.

States are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to states. The Department uses a new integrated financial management, procurement, and human resource system to track all detail budget, expenditures, and expenses for all projects, including bond financed projects. This system also includes all necessary reporting capabilities and the FHWA federal billing functionality.

The Department has been made aware that FHWA will not provide federal-aid highway reimbursements or payments for any debt service payments intercepted by the U.S. Treasury Offset Program for monies owed by the State to the federal government. No guidance has been given to the Department by FHWA with respect to the U.S. Treasury Offset Program. No prior payments from FHWA to the Department have been delayed or withheld as a result of the U.S. Treasury Offset Program.

The Memorandum of Agreement

The Department has entered into, and the State and the Board have acknowledged and approved, the Memorandum of Agreement with FHWA relating to the Project. Under the Memorandum of Agreement, FHWA has agreed to make payments to the Department, which will be deposited to the State Highway Account and continuously appropriated and remitted to the Trustee, in an amount equal to the federal share of the principal of, premium, if any, and interest on the Bonds, when due. While the Bonds are outstanding, by the seventh (7th) business day of each new Federal Fiscal Year, the Department will submit one or more requests to the FHWA to partially convert an advance construction amount sufficient to pay the federal share of the scheduled debt service due and payable on the Bonds within the new Federal Fiscal Year. If only a portion of the annual Obligation Authority is provided, the Department will reserve the pro-rata share of that portion of the Obligation Authority for debt service payments on the Bonds for that year until the full Obligation Authority is provided. Under the Financing Agreement, the Department covenants to comply with applicable law and the Memorandum of Agreement to the extent required for the Department to receive on behalf of the State all revenues from the FHWA under the Memorandum of Agreement. The Memorandum of Agreement does not constitute a commitment, guarantee or obligation on the part of the United States to provide for the payment of Financing Payments under the financing agreement or debt service on the Bonds.

STIP and Long Range Plan Conformity with Federal Clean Air Requirements

The EPA's air quality conformity regulations require that the STIP and long range plans be evaluated for emissions impacts in both non-attainment and maintenance areas. The Idaho STIP and long range plan are analyzed to evaluate change in ozone precursors (volatile organic compounds – VOC and oxides of nitrogen – Nox) and carbon monoxide – CO emissions due to implementation. The air quality analysis has demonstrated that implementation of the State's long range transportation plan and STIP is consistent with federal air quality conformity criteria and regulations, and conforms to the air quality goals in Idaho's State Air Quality Implementation Plan. See "THE IDAHO TRANSPORTATION DEPARTMENT" and "MANAGEMENT OF STATE HIGHWAY PROGRAM."

FEDERAL AID REVENUES

Idaho is a “donee” state, currently receiving \$1.75 in Federal Aid Revenues for every \$1.00 it contributes in motor-fuel tax revenue. Below are tables identifying prior and anticipated Apportionments, Obligation Authority and Receipts of Federal Aid Revenues by the State and the Department from Federal Fiscal Year 2005 through Federal Fiscal Year 2014. The ability to pay debt service on the Bonds will depend upon the amount of funding provided to the State under the FAHP and the State’s ability to use such funding.

FEDERAL AID REVENUES APPORTIONMENTS, OBLIGATION AUTHORITY, RECEIPTS AND TOTAL RECEIPTS ESTIMATED TO BE AVAILABLE FOR BOND PAYMENTS FOR THE IDAHO TRANSPORTATION DEPARTMENT Under SAFETEA-LU of 2005 Federal Fiscal Years 2005 Through 2012

<u>Federal Fiscal Year</u>	<u>Apportionments</u>	<u>Obligation Authority</u>	<u>Fed Reimbursements Actual Receipts (SFY) Available for Bond Payments</u>
2005	\$294,890,577	\$250,457,505	\$239,441,939
2006	275,954,863	277,372,700	263,541,415
2007	284,918,923	271,489,587	282,848,244
2008	288,460,537	276,988,581	313,916,590
2009	291,328,644	285,561,289	220,734,537
2010	302,671,006	292,212,219	290,294,334
2011	296,786,444	275,840,137	325,689,494
2012	<u>277,970,176</u>	<u>263,237,374</u>	<u>323,996,809</u>
Totals 2005 - 2012	<u>\$2,312,981,170</u>	<u>\$2,193,159,392</u>	<u>\$2,260,463,362</u>
Annual Average 2005 - 2012	<u>\$289,122,646</u>	<u>\$274,144,924</u>	<u>\$282,557,920</u>

Source: Idaho Transportation Department

NOTE: Apportionments for FFY 2005 are the result of FFY 2004 apportionments not available until FFY 2005.

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**FEDERAL AID REVENUES
 APPORTIONMENTS, OBLIGATION AUTHORITY, RECEIPTS AND
 TOTAL RECEIPTS ESTIMATED TO BE AVAILABLE FOR BOND PAYMENTS
 FOR THE IDAHO TRANSPORTATION DEPARTMENT
 Under MAP-21 of 2012
 Federal Fiscal Years 2013 and 2014**

<u>Federal Fiscal Year</u>	<u>Apportionments</u>	<u>Obligation Authority</u>	<u>Fed Reimbursements Actual Receipts (SFY) Available for Bond Payments</u>
2013	\$277,050,222	\$274,782,047	\$291,007,235
2014	<u>276,061,294</u>	<u>261,268,694</u>	<u>261,268,694</u>
Totals 2013 - 2014	<u>\$553,111,516</u>	<u>\$536,050,741</u>	<u>\$552,275,929</u>

Source: Idaho Transportation Department

NOTE: Apportionments, obligation authority and receipts for FFY 2013 are actual amounts. Values for FFY 2014 are preliminary estimates based on allocations of MAP-21 funding provided by FHWA. Actual apportionments and obligation authority for FFY 2014 is subject to change.

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The following table shows the total actual receipts from both federal and State sources deposited into the State Highway account for State Fiscal Year 2013 (ending June 30, 2013).

**State Highway Account
Fiscal Year 2013 Actual Receipts**

<u>Federal Aid</u>	
FHWA Highways	\$291,007,235
Public Transportation	7,115,144
Highway Safety	2,951,955
Other	<u>2,118,168</u>
Total Federal Aid	<u>\$303,192,502</u>
 <u>State Sources</u>	
Highway Distribution Account	\$180,132,644
Ethanol Exemption	15,281,905
Miscellaneous	<u>46,670,265</u>
Total State Sources	<u>\$242,084,814</u>
 Match for Local Projects	 <u>\$5,001,184</u>
 Total Receipts All Sources	 <u>\$550,278,500</u>

Source: Idaho Transportation Department

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DEBT SERVICE REQUIREMENTS FOR THE BONDS

The following table shows the debt service requirements for the 2006 Bonds, for the 2008 Series A Bonds, for the 2009 Series A Bonds, for the 2010 Series A Bonds, for the 2011 Series A Bonds, for the 2012 Series A Bonds and for the 2014 Series A Bonds. In order to issue Additional Bonds the Issuer and the Department will be required to comply with certain debt service coverage tests. See “SECURITY FOR THE BONDS- Additional Bonds” and “THE PROJECT.”

<u>State Fiscal Year</u>	<u>Outstanding Debt Service⁽¹⁾</u>	<u>Principal 2014 Series A Bonds</u>	<u>Interest 2014 Series A Bonds</u>	<u>Combined Bond Debt Service</u>
2014	\$53,791,287			
2015	53,791,236			
2016	53,791,106			
2017	53,795,846			
2018	53,797,038			
2019	53,777,078			
2020	53,740,840			
2021	53,702,137			
2022	53,653,599			
2023	53,609,029			
2024	53,537,326			
2025	53,475,065			
2026	53,411,601			
2027	53,307,778			
2028	53,235,454			
2029	52,714,165			
2030	52,226,600			
2031	2,692,800			
Total	\$912,049,985			

(1) 2006 Bonds, 2008 Series A Bonds, 2009 Series A Bonds, 2010 Series A Bonds, 2011 Series A Bonds and 2012 Series A Bonds; excludes capitalized interest; excludes Direct Payments expected to be received with respect to the 2010 Series A-2 Bonds.

LEGALITY FOR INVESTMENT

Pursuant to the Act, the 2014 Series A Bonds are eligible for investment in Idaho by state and municipal officers, banks, trust companies, savings banks and saving associations, savings and loans associations, national banking associations, insurance companies, executors, trustees and other fiduciaries, and all other persons who are authorized to invest in bonds or other obligations of the State of Idaho.

LEGAL MATTERS

Certain legal matters in connection with the issuance of the 2014 Series A Bonds are subject to the approval of Ballard Spahr LLP and Skinner Fawcett LLP, collectively, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP. Underwriters’ Counsel undertakes no responsibility for the fairness, accuracy or completeness of this Official Statement. Certain legal matters relating to the Issuer will be passed upon by Richard A. Skinner,

Esq. of Skinner Fawcett LLP, Boise, Idaho, as general counsel to the Issuer. Certain legal matters will be passed upon for the Department by its counsel, Larry Allen, Esquire, Deputy Attorney General of Idaho.

TAX MATTERS

In the opinion of Co-Bond Counsel to the Issuer, based on the existing laws, regulations, rulings and court decisions and, among other matters, assuming the accuracy of certain certifications and compliance with certain covenants, interest on the 2014 Series A Bonds is excludable from gross income for federal income tax purposes. Interest on the 2014 Series A Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes but such interest is included in adjusted current earnings in computing the federal alternative minimum taxes imposed on certain corporations. Co-Bond Counsel are also of the opinion based on existing laws of the State of Idaho as enacted and construed that interest on the 2014 Series A Bonds is exempt from State of Idaho income taxes. Co-Bond counsel express no opinion regarding other tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the 2014 Series A Bonds.

The Code establishes certain requirements which must be met on a continuing basis subsequent to the delivery of the 2014 Series A Bonds for interest on the 2014 Series A Bonds to be excludable from gross income for federal income tax purposes. The Issuer and the Department have covenanted to take all reasonable steps to comply with all of the requirements of the Code so that interest on the 2014 Series A Bonds will be excludable from gross income for federal income tax purposes. Co-Bond Counsel have assumed continuing compliance by the Issuer and the Department with the above covenants and procedures in rendering their opinion. Failure to comply with certain tax requirements may cause interest on the 2014 Series A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of such bonds. Co-Bond Counsel's engagement with respect to the 2014 Series A Bonds ends with the issuance of the 2014 Series A Bonds. Co-Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) or any other matters coming to the attention of Co-Bond Counsel after the date of issuance of the 2014 Series A Bonds may adversely affect the value of, or the tax status of interest on, the 2014 Series A Bonds. Accordingly, their opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2014 Series A Bonds to be subject directly or indirectly, to federal income taxation or interest on the 2014 Series A Bonds to be subject to or exempted from state income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2014 Series A Bonds. Prospective purchasers of the 2014 Series A Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel expresses no opinion.

The opinion of Co-Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Co-Bond Counsel's judgment as to the proper treatment of the 2014 Series A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Co-Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Issuer or the Department or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS.

Although Co-Bond Counsel expects to render an opinion that interest on the 2014 Series A Bonds is excludable from gross income for federal income tax purposes and that interest on the 2014 Series A Bonds is exempt from State of Idaho income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2014 Series A Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status or the Bondholder's other items of income or deduction. Co-Bond Counsel expresses no opinion regarding any such other tax consequences.

Certain of the 2014 Series A Bonds may be offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holder's tax basis for the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisers for an explanation of the amortization rules.

NO LITIGATION

There is no proceeding or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the 2014 Series A Bonds, or in any way contesting or affecting the validity of the 2014 Series A Bonds, any proceedings of the Issuer taken with respect to the issuance or sale thereof, the pledge or application of any money or security provided for the payment of the 2014 Series A Bonds, the existence or powers of the Issuer relating to the 2014 Series A Bonds or the title of any officers of the Issuer to their respective positions.

CONTINUING DISCLOSURE

The Issuer and the Department have covenanted for the benefit of the Holders and Beneficial Owners of the 2014 Series A Bonds to provide certain financial information and operating data relating to the Issuer and the Department not later than six months following the end of the Issuer's fiscal year, commencing with a report for the Issuer's fiscal year ending June 30, 2012 (the "Annual Bond Disclosure Report"), and to provide notice of the occurrence of certain enumerated events, if material. The filing of the Annual Bond Disclosure Report or notices of events determined or deemed to be material will be made solely by transmitting such filing to the Municipal Securities Rulemaking Board pursuant to its Electronic Municipal Market Access ("EMMA") system as provided at <http://www.emma.msrb.org>. The specific nature of the information to be contained in the Annual Bond Disclosure Report and the notices of material events is summarized herein. See "EXHIBIT E - SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

The Issuer has covenanted for the benefit of the Holders and Beneficial Owners of the 2014 Series A Bonds to provide certain financial information and operating data relating to the Issuer not later than six months following the end of the Issuer's fiscal year (the "Annual Bond Disclosure Report"), and to provide notices of the occurrence of certain enumerated events, in some cases if material. The filing of the Annual Bond Disclosure Report or notices of material events will be made solely by transmitting such filing to the Municipal Securities Rulemaking Board pursuant to its Electronic Municipal Market Access (EMMA) system as provided at <http://www.emma.msrb.org>. Except as follows, the Issuer has not failed to comply, in all material respects during the past five years, with an undertaking under the S.E.C. Rule 15c2-12(b)(5) (the "Rule"). Single Family Bonds -- Issuer audited financial statements were not filed for the fiscal year ended June 30, 2012, and certain specific financial and operating data for the fiscal years ended June 30, 2008, 2009, 2010, 2011 and 2012 was not filed or was filed but was not associated with all related CUSIP numbers; Unemployment Compensation Bonds -- Idaho State audited financial statements were not filed for the fiscal years ended June 30, 2011 and 2012 and required financial and operating data was not filed for the fiscal year ended June 30, 2012; Federal Highway Trust Fund Bonds - Idaho State audited financial statements and required financial and operating data were not filed for the fiscal years ended June 30, 2010, 2011 and 2012 (although Official Statements containing some of this information were filed for the fiscal years ended June 30, 2011 and 2012). The Issuer has revised its disclosure procedures to ensure future compliance with its undertakings.

RATINGS

Moody's Investors Service ("Moody's") has assigned the 2014 Series A Bonds a rating of "Aa3" with a negative outlook. As part of an overall sector review, Moody's downgraded 27 grant anticipation revenue vehicle (GARVEE) bond ratings, including its rating of the Bonds, on November 14, 2012. Bonds previously issued under the Master Indenture were downgraded from Aa2 to Aa3.

Fitch Ratings ("Fitch") has assigned the 2014 Series A Bonds a rating of "A+" with a stable outlook.

Each rating reflects only the views of the respective Rating Agency. Explanations of the significance of the ratings may be obtained from each Rating Agency as follows: Fitch Ratings, One State Street Plaza, New York, New York 10004 (212) 908-0500 and Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, (212) 553-0300. A rating is not a recommendation to buy, sell or hold the 2014 Series A Bonds, and there is no assurance that any rating will be maintained for any given period of time by a Rating Agency or that it will not be revised or withdrawn entirely by such Rating Agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of a rating may have an adverse affect on the market price of the 2014 Series A Bonds.

UNDERWRITING

The 2014 Series A Bonds will be purchased from the Issuer by the Underwriters, represented by Citigroup Global Markets Inc., under a Purchase Contract dated January ___, 2014, pursuant to which the Underwriters agree, subject to certain conditions, to purchase all of such 2014 Series A Bonds.

The Underwriters have agreed to purchase the 2014 Series A Bonds from the Issuer at a price of \$_____ which reflects an Underwriters' discount of \$_____ and original issue premium of \$_____.

The initial public offering prices of the 2014 Series A Bonds may be changed from time to time by the Underwriters. The Underwriters may offer and sell the 2014 Series A Bonds to certain dealers

(including dealers depositing such 2014 Series A Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than the initial public offering prices.

The Underwriters and their respective affiliates may be full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer.

Citigroup Global Markets Inc., an underwriter of the 2014 Series A Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. ("TMC") and UBS Financial Services Inc. ("UBSFS"). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the 2014 Series A Bonds.

Piper Jaffray & Co. and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Piper Distribution Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., including the 2014 Series A Bonds. Under the Piper Distribution Agreement, Piper Jaffray & Co. will share with Pershing LLC a portion of the fee or commission. Piper Jaffray & Co. has entered into a separate agreement with Charles Schwab & Co., Inc. that enables Charles Schwab & Co., Inc. to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray & Co., which could include the 2014 Series A Bonds. Under that agreement, Piper Jaffray & Co. will share with Charles Schwab & Co., a portion of the fee or commission paid to Piper Jaffray & Co.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC., an underwriter of the 2014 Series A Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2014 Series A Bonds.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association. Wells Fargo Bank, National Association ("WFBNA"), one of the underwriters of the 2014 Series A Bonds, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the distribution of certain municipal securities offerings, including the 2014 Series A Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the 2014 Series A Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company. WFBNA also utilizes the distribution capabilities of its affiliates, Wells Fargo Securities, LLC ("WFSLLC") and Wells Fargo

Institutional Securities, LLC (“WFIS”), for the distribution of municipal securities offerings, including the 2014 Series A Bonds. In connection with utilizing the distribution capabilities of WFSLLC, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, WFIS, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Bank, National Association is serving as both a co-managing underwriter under the trade name Wells Fargo Securities and as Trustee and Paying Agent for the 2014 Series A Bonds.

ADDITIONAL INFORMATION

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or holder of any of the 2014 Series A Bonds.

Copies in reasonable quantity of the Indenture, the Financing Agreement and other documents referenced herein may be obtained during the offering period from the Issuer at 565 Myrtle Street, Boise, Idaho 83702.

The execution and delivery of this Official Statement have been duly authorized by the Issuer and the Department. Concurrently with the delivery of the 2014 Series A Bonds, the Issuer and the Department will furnish a certificate executed on behalf of the Issuer and the Department to the effect that this Official Statement, as of the date of this Official Statement and as of the date of delivery of the 2014 Series A Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading.

IDAHO HOUSING AND FINANCE
ASSOCIATION

By: _____
President and Executive Director

IDAHO TRANSPORTATION
DEPARTMENT

By: _____
Director

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EXHIBIT A

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

Upon issuing of the 2014 Series A Bonds, Ballard Spahr LLP and Skinner Fawcett LLP, propose to issue an opinion in substantially the following form:

We have acted as bond counsel to the Idaho Housing and Finance Association (the “Issuer”) in connection with the issuance by the Issuer of \$ _____ aggregate principal amount of Idaho Housing and Finance Association Grant and Revenue Anticipation Bonds Federal Highway Trust Fund, 2014 Series A (the “2014 Series A Bonds”). The 2014 Series A Bonds are issued pursuant to the provisions of Title 67, Chapter 62 of the Idaho Code, as amended and are secured by a Master Trust Indenture dated as of May 1, 2006 between the Issuer and Wells Fargo Bank, National Association, as trustee (the “Trustee”) and a Series Trust Indenture dated as of January 1, 2014 between the Issuer and the Trustee (collectively, the “Indenture”). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

We have reviewed the Indenture, the Tax Certificate, opinions of counsel to the Issuer and the Department, certificates of the Issuer, the Department, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the 2014 Series A Bonds in order that interest on the 2014 Series A Bonds be and remain excludable from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Tax Certificate of the Issuer and the Idaho Transportation Department (the “Department”), dated the date hereof (the “Tax Certificate”), in which the Issuer and the Department have made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the 2014 Series A Bonds, including, but not limited to, certain representations with respect to the use of the proceeds of the 2014 Series A Bonds and the investment of certain funds. The Tax Certificate obligates the Issuer and the Department to take certain actions necessary to cause interest on the 2014 Series A Bonds to be excludable from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code may cause interest on the 2014 Series A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained. In rendering the opinion in paragraph 4 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Tax Certificate, and (ii) compliance by the Issuer and the Department with procedures and covenants set forth in the Tax Certificate as to such tax matters.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as original or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the

opinions, referred herein. Furthermore, we have assumed compliance with the covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure the future actions, omissions or events will not cause interest on the 2014 Series A Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the 2014 Series A Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against the State of Idaho. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, waiver or severability provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the 2014 Series A Bonds and express no opinion with respect thereto.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that:

1. The Issuer is an independent public body, corporate and politic, validly existing under the laws of the State of Idaho, and has lawful authority to issue the 2014 Series A Bonds.

2. The Indenture has been duly executed and delivered by, and is a valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Pledged Receipts and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture (except for amounts on deposit in the Rebate Account and except for the Rebate Requirement to be deposited in the Rebate Account), and of the rights and interests of the Issuer in and to all Pledged Receipts, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. Except as set forth in the Indenture, Bonds issued under the Indenture are equally and ratably secured by the pledges and covenants contained therein.

3. The 2014 Series A Bonds constitute valid and binding limited obligations of the Issuer, payable solely from the Pledged Receipts and other assets pledged therefor under the Indenture. The 2014 Series A Bonds do not constitute a debt or liability of the State of Idaho or any political subdivision thereof.

4. Based on the existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain certifications and compliance with certain covenants by the Issuer and the Department, interest on the 2014 Series A Bonds is excludable from gross income for federal income tax purposes. Interest on the 2014 Series A Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes but such interest is included in adjusted current earnings in computing the federal alternative minimum taxes imposed on certain corporations.

5. Under the laws of the State of Idaho as enacted and construed on the date hereof, interest on the 2014 Series A Bonds is exempt from State of Idaho income taxes.

Although we have rendered an opinion that interest on the 2014 Series A Bonds is excludable from gross income for federal income tax purposes and that interest on the 2014 Series A Bonds is exempt from State of Idaho income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2014 Series A Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status or the Bondholder's other items of income or deduction. We express no opinion regarding any such other tax consequences.

Very truly yours,

BALLARD SPAHR LLP

and

SKINNER FAWCETT LLP

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EXHIBIT B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Definitions

Set forth below are the definitions of some of the terms used in this Official Statement, the Indenture and the Financing Agreement. Reference is made to the Indenture and the Financing Agreement for a complete recital of the terms defined therein.

“2006 Bonds” means the Issuer’s Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund, Series 2006.

“2008 Series A Bonds” means the Issuer’s Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund, 2008 Series A.

“2009 Series A Bonds” means the Issuer’s Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund, 2009 Series A.

“2010 Series A-1 Bonds” means the Issuer’s Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund, 2010 Series A-1.

“2010 Series A-2 Bonds” means the Issuer’s Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund, 2010 Series A-2 (Federally Taxable-Direct Payment-Build America Bonds).

“2010 Series A Bonds” means, together, the 2010 Series A-1 Bonds and the 2010 Series A-2 Bonds.

“2011 Series A Bonds” means the Issuer’s Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund, 2011 Series A.

“2012 Series A Bonds” means the Issuer’s Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund, 2012 Series A

“2014 Series A Bonds” means the Issuer’s Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund, 2014 Series A

“Act” shall mean Title 67, Chapter 62, Idaho Code, as amended.

“Additional Bonds” shall mean Bonds issued under the provisions of the Master Indenture (other than the initial Bonds).

“Additional Payments” shall mean the Additional Payments payable under the Financing Agreement.

“Authorized Denominations” shall mean \$5,000 and integral multiples thereof.

“Authorized Officer” shall mean, as to the Issuer, the Chairman, Vice Chairman, Secretary-Treasurer, President and Executive Director, Senior Vice President, Treasurer or Assistant Secretary-Treasurer of the Issuer, or any other officer or employee of the Issuer authorized to perform the particular acts or duties by resolution duly adopted by the Issuer.

“Auxiliary Agreements” shall mean Credit Facility Agreements, Exchange Agreements and Liquidity Facility Agreements.

“Auxiliary Agreement Provider” shall mean the provider of an Auxiliary Agreement with respect to any Series of Bonds.

“Auxiliary Obligations” shall mean obligations of the Issuer for the payment of money under Auxiliary Agreements.

“Board” means the Idaho Transportation Board, the board established under Title 40, Chapter 3, Idaho Code, as amended.

“Bond” shall mean, for purposes of this Summary, any of the bonds of the Issuer authorized and issued under the Master Indenture and any Series Indenture, including the Initial Bonds and any Additional and Refunding Bonds.

“Business Day” shall mean any day other than (i) a day on which the Trustee or the Paying Agent is required, or is authorized or not prohibited, by law (including executive orders) to close and is closed and (ii) a day on which the New York Stock Exchange is closed.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and shall include the Regulations of the United States Department of the Treasury promulgated thereunder.

“Costs of Issuance” shall mean only the costs of issuing Bonds as designated by the Issuer; including, but not being limited to, the fees and charges of the financial advisors or Underwriter, bond counsel, disclosure counsel, issuer counsel, underwriter’s counsel, Trustee, Trustee’s counsel, rating agencies, bond and official statement printers and such other fees and expenses normally attendant to an issue of the Bonds.

“Counsel” or “Counsel’s Opinion” shall mean an opinion signed by such attorney or firm of attorneys of recognized national standing in the field of law relating to municipal bonds and municipal finance as may be selected by the Issuer.

“Counterparty Exchange Payment” shall mean a payment due from an Exchange Counterparty to the Trustee or the Issuer pursuant to the Related Exchange Agreement (including, but not limited to, payments in respect of any early termination, as provided in the Related Exchange Agreement).

“Credit Facility” shall mean, with respect to any Series of Bonds, a letter of credit, bond insurance policy, surety bond or similar instrument to be issued by a Credit Facility Provider having such terms as are set forth in the Related Series Indenture.

“Credit Facility Agreement” shall mean the reimbursement agreement, bond insurance agreement or similar agreement between the Issuer and any Credit Facility Provider.

“Credit Facility Provider” shall mean the provider of a Credit Facility with respect to any Series of Bonds.

“Department” shall mean the Idaho Transportation Department, an executive department of the State of Idaho.

“Direct Payments” are defined to include the interest subsidy payments received by the Issuer from the Internal Revenue Service pursuant to Section 6431 of the Code or other similar programs with respect to the 2010 Series A-2 Bonds.

“Eligible Investments” shall mean and include any of the following which at the time are legal investments for fiduciaries under the laws of the State for moneys held under the Indenture which are then proposed to be invested therein:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
2. Farmers Home Administration (FmHA)
Certificates of beneficial ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures (FHA)
5. General Services Administration
Participation certificates
6. Government National Mortgage Association (GNMA or “Ginnie Mae”)
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations
7. U.S. Maritime Administration
Guaranteed Title XI financing
8. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
Senior debt obligations

2. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”) Participation Certificates Senior debt obligations
3. Federal National Mortgage Association (FNMA or “Fannie Mae”) Mortgage-backed securities and senior debt obligations
4. Farm Credit System Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAA-m; or AA-m and if rated by Moody’s rated Aaa, Aa1 or Aa2.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits of issuing banks or financial institutions having capital and surplus of at least \$15,000,000 which are fully insured by FDIC, including BIF and SAIF.

G. Investment Agreements, including GIC’s, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the Credit Facility Providers.

H. Commercial paper rated, at the time of purchase, “Prime - 1” by Moody’s and “A-1+” or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies.

J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime - 1” or “A3” or better by Moody’s and “A-I+” or better by S&P.

K. Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to the Credit Facility Providers.

Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

1. Repos must be between the municipal entity and a dealer bank or securities firm
 - a. Primary dealers on the Federal Reserve reporting dealer list which are rated A or better by Standard & Poor’s Corporation and Moody’s Investor Services, or

- b. Banks rated “A” or above by Standard & Poor’s Corporation and Moody’s Investor Services.
2. The written repo contract must include the following:
- a. Securities which are acceptable for transfer are:
 - (1) Direct U.S. governments, or
 - (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)
 - b. The term of the repo may be up to 30 days
 - c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
 - d. Valuation of Collateral
 - (1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest
 - (a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest, If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.
3. Legal opinion which must be delivered to the municipal entity:
- a. Repo meets guidelines under state law for legal investment of public funds.

“Exchange Agreement” shall mean an interest rate exchange agreement between the Issuer or the Trustee and an Exchange Counterparty, as amended or supplemented, or a similar interest rate hedge agreement, as amended or supplemented.

“Exchange Counterparty” shall mean any party with whom the Issuer or the Trustee shall, from time to time, enter into an Exchange Agreement.

“Exchange Payment” shall mean a payment due from the Issuer or the Trustee to an Exchange Counterparty, pursuant to the Related Exchange Agreement (excluding, any payments in respect of any early termination, as provided in the Related Exchange Agreement).

“Federal Fiscal Year” shall mean the period commencing October 1 of any year and ending September 30 of the ensuing year, or any other fiscal year of the FHWA.

“FHWA” shall mean the Federal Highway Administration.

“FHWA Funds” shall mean all federal surface transportation funds described in Section 40-702(5) Idaho Code, as amended, which can be used to pay debt service on bonds and which are deposited into the State Highway Account.

“Financing Agreement” shall mean the Master Financing Agreement, dated as of October 13, 2005 among the Issuer, the Board and the Department, and any amendments or supplements thereto.

“Fitch” shall mean Fitch Ratings.

“Holder”, or “Owner”, or any similar term (when used with reference to any Bonds), shall mean the person in whose name a Bond is registered.

“Interest Payment Date” shall mean, for each Series of Bonds, the date upon which interest on the Bonds of such Series shall be payable as provided in the Related Series Indenture.

“Liquidity Facility” shall mean, with respect to any Series of Bonds, a standby bond purchase agreement, letter of credit, line of credit, revolving credit agreement or similar liquidity enhancement or support facility or agreement or undertaking or combination thereof to be issued by a Liquidity Facility Provider having such terms as are set forth in the Related Series Indenture.

“Liquidity Facility Provider” shall mean the provider of a Liquidity Facility with respect to any Series of Bonds.

“Master Indenture” shall mean the Master Trust Indenture, dated as of May 1, 2006, and entered into between the Issuer and the Trustee, as amended or supplemented from time to time.

“Maximum Annual Debt Service” is defined as the greatest of the amounts required to be paid or set aside during the current or any single future State Fiscal Year, commencing after the date of such calculation, for payment of debt service on all Outstanding Bonds. The method for determining Maximum Annual Debt Service for variable rate Bonds shall be set forth in the related Series Indenture.

“Memorandum of Agreement” shall mean the Memorandum of Agreement between the Department and FHWA, as amended or supplemented.

“Moody’s” shall mean Moody’s Investors Service, Inc.

“Outstanding” when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or then being authenticated and delivered except:

(a) Bonds cancelled upon surrender, exchange or transfer or cancelled because of payment or redemption at or prior to such date;

(b) Bonds which are deemed to have been paid pursuant to the provisions of the Master Indenture or any Bonds which are deemed to have been paid pursuant to the provisions of the Master Indenture; and

(c) Bonds in lieu of which others have been authenticated under the Master Indenture.

“Paying Agent” shall mean any bank or trust company so designated, and its successor or successors hereafter appointed, as paying agent for any Series of Bonds in the manner provided in the Master Indenture or any Series Indenture.

“Pledged Federal Direct GARVEE Payments” shall include all federal surface transportation funds received from the United States government which represent a Federal reimbursement to the Department for the federal share of the debt service on the Bonds and other costs and expenses incurred by the Issuer relating to the Bonds, as described in Section 40-702(5) Idaho Code, as amended, and on deposit in the State Highway Account or the GARVEE Debt Service Fund in such amounts as are certified from time to time by the Issuer to the State Controller, the State Treasurer and the Board as are necessary for payment of principal, interest and other amounts required for the Bonds.

“Pledged Federal Reimbursement Payments” shall mean and include all federal surface transportation funds received from the United States government which represent a Federal reimbursement to the Department for funds advanced by the Department to pay the federal share of the cost of transportation projects not being financed with proceeds of the Bonds, as described in Section 40-702(5) Idaho Code, as amended, and on deposit in the State Highway Account or the GARVEE Debt Service Fund in such amounts as are certified from time to time by the Issuer to the State Controller, the State Treasurer and the Board as are necessary for payment of principal, interest and other amounts required for the Bonds.

“Pledged Receipts” shall mean and include:

- (1) all Pledged Federal Direct GARVEE Payments and all Pledged Federal Reimbursement Payments;
- (2) amounts received as Counterparty Exchange Payments; and
- (3) all interest earned and gains realized on Eligible Investments (a) except for earnings and gains on any investments in the Rebate Fund and (b) unless the Master Indenture or any Series Indenture specifically requires such interest earned or gains realized to remain in a particular Fund or Account and does not therefore constitute a Pledged Receipt.

“Project” shall mean, collectively, the “Transportation Projects” described in the Memorandum of Agreement or any amendments thereto, which are more particularly described in Exhibit A to the Financing Agreement, and any additional “Transportation Projects,” as defined in the Act, to be financed with the proceeds of Additional Bonds.

“Purchase Date” shall mean the date set forth in a Series Indenture on which Bonds of the Series authorized by such Series Indenture may be tendered or must be tendered for purchase.

“Purchase Price” shall mean an amount equal to the principal amount of any Bonds purchased under the terms of a Series Indenture, plus accrued interest, if any, to the Purchase Date.

“Rating Service” shall mean Moody’s, if Moody’s is then rating the Bonds, S&P, if S&P is then rating the Bonds, and Fitch, if Fitch is then rating the Bonds, and their respective successors and assigns.

“Record Date” shall mean, for each Series of Bonds, the date designated in the Related Series Indenture.

“Redemption Date” shall mean the date set forth in a Series Indenture on which Bonds of the Series authorized by such Series Indenture may be called for redemption or must be called for redemption.

“Refunding Bonds” shall mean bonds issued under the provisions of the Master Indenture, the proceeds of which are used solely and only to refund specified Bonds then Outstanding under the Master Indenture and to pay the costs of issuing such Refunding Bonds.

“Registrar” shall mean the registrar maintaining the registration books for any Series of Bonds and unless otherwise provided in a Series Indenture shall mean the Trustee.

“Related” (whether capitalized or not) shall mean, with respect to any particular Bond, class, Series, Supplemental Indenture, Fund, Account or Auxiliary Agreement having been created in connection with the issuance of, or having been derived from the proceeds of, or having been allocated to, or concerning, the same Series, as the case may be.

“Resolution” shall mean the resolutions of the Issuer adopted on October 18, 2013 and to be adopted on January 17, 2014 authorizing the issuance of 2014 Series A Bonds and the execution and delivery of the Indenture.

“S&P” shall mean Standard & Poor’s Credit Markets Services, a division of The McGraw-Hill Companies, Inc.

“Series” shall mean all of the Bonds designated as such in the Related Series Indenture, regardless of variations in class, dated date, maturity, interest rate or other provisions, and any Bond thereafter delivered in lieu of or substitution for any of such Bonds pursuant to the Master Indenture and the Related Series Indenture.

“Series Indenture” shall mean a trust indenture providing for the issuance of a particular Series of Bonds.

“Series of Bonds” or words of similar import, shall mean the Series of Bonds issued pursuant to a particular Series Indenture.

“Series Resolution” shall mean a resolution of the Issuer authorizing the issuance of a Series of Bonds in accordance with the terms and provisions hereof, adopted by the Issuer in accordance with the Master Indenture.

“State” shall mean the State of Idaho.

“State Fiscal Year” shall mean the fiscal year of the State, currently July 1 through June 30 of the following year.

“Supplemental Indenture” shall mean any trust indenture supplemental to or amendatory of the Master Indenture or any Series Indenture adopted by the Issuer in accordance with the Master Indenture.

“Title 23” shall mean Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

“Trust Estate” shall mean the trust estate created by the Master Indenture and by the pledges specifically set forth in the Master Indenture.

“Trustee” shall mean the Trustee appointed pursuant to the provisions of the Master Indenture, and its successor or successors, and any other corporation which may at any time be substituted in its place pursuant to the Master Indenture or any Supplemental Indenture.

The Master Indenture

Authorization for Bonds in Series. From time to time when authorized by the Master Indenture and subject to the terms, limitations and conditions established in the Master Indenture, the Issuer may authorize the issuance of a Series of Bonds upon adoption of a Series Resolution and execution of a Series Indenture, and the Bonds of any such Series may be issued and delivered upon compliance with the provisions of the Master Indenture. The Bonds of each Series are required to bear the title “Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund Series [series designation],” and, at the option of the Issuer, such other designation as may be necessary to distinguish them from the Bonds of other Series. Bonds of any Series may be authorized to be issued in the form provided by the Series Indenture.

Each Series Indenture is required to specify and determine: (i) the authorized principal amount of that Series of Bonds and the amount of each maturity of such Bonds; (ii) the purpose for which that Series of Bonds is being issued, which shall be to provide funds for the purposes authorized by the Act and the Master Indenture or a Series Indenture including one or more of the following: (A) for deposit in the account of the Project Fund established for such Series for purposes for which the Project Fund may be utilized; and (B) for deposit in the Cost of Issuance Fund or Revenue Fund; (iii) the title and designation of, the manner of numbering and lettering, the class and the denomination or denominations of the Bonds of that Series; (iv) the date or dates of maturity and the amounts thereof, and the dated date of that Series; (v) the interest rate or rates, which may be fixed or variable, or the manner of determining such rate or rates of the Bonds of that Series and the Interest Payment Dates of those Bonds; (vi) the redemption price or redemption prices and the Redemption Date or Redemption Dates and other terms (if any) of redemption of any of the Bonds of such Series; (vii) the Purchase Price and the Purchase Dates and other terms (if any) for the tender of any of the Bonds of such Series; (viii) if the Paying Agent is to be different from the Paying Agent then serving under the Master Indenture, the Paying Agent or Paying Agents for such Bonds; (ix) the manner in which Bonds of such Series are to be sold and provisions for the sale thereof; (x) provisions relating to any Exchange Agreement, Credit Facility and Liquidity Facility, including provisions relating to the renewal, substitution and extension of any such Exchange Agreement, Credit Facility and Liquidity Facility, and the identity of the providers of such Exchange Agreement, Credit Facility and Liquidity Facility; and (xi) any other provisions deemed advisable by the Issuer, not in conflict with or in substitution for the provisions of the Master Indenture or any existing Series Indenture.

Additional Bonds; Refunding Bonds. As a condition to issuance of Additional Bonds, the Issuer shall limit scheduled debt service and other bond-related expenses on or relating to the Bonds (including any Additional Bonds or Refunding Bonds to be issued) during each of the State Fiscal Years 2007 through 2010 to no more than twenty percent (20%) of the annual federal-aid apportionment reasonably expected to be received by the Department during the related State Fiscal Year; and during each of the State Fiscal Years 2011 and thereafter, the Issuer shall limit annual scheduled debt service and other bond-related expenses on or relating to the Bonds (including any Additional Bonds or Refunding Bonds to be issued) to no more than thirty percent (30%) of annual federal-aid highway apportionment reasonably expected to be received by the Department during the related State Fiscal Year.

The Issuer reserves the right to issue Refunding Bonds which may be on a parity as to security with the Bonds in order to refund any Bonds then Outstanding under the Master Indenture, so long as the Maximum Annual Debt Service is not increased as a result of issuing such Refunding Bonds or the requirements of the preceding paragraph are satisfied.

No Additional Bonds on a parity as to security with the Bonds for such specific purposes described above may be issued unless at such time the Issuer is and has been in continuous compliance with all of the provisions with reference to the payment of the principal and interest with respect to the Bonds and is and has been in continuous compliance with all of the covenants under the Master Indenture. If any Additional Bond for such purposes are issued on a basis of parity as to security with the Bonds, the Financing Agreement is required to be amended to provide for payments sufficient to pay the principal and interest with respect to all Bonds Outstanding under the Master Indenture and all Additional Bonds.

No other Additional Bonds may be issued at any time secured by the Pledged Receipts; provided that the Additional Bonds, the issuance of which is conditioned and restricted by the Master Indenture, will be understood to mean Bonds payable from the Pledged Receipts on a basis of parity and equality with Outstanding Bonds, and will not be construed to include other notes, bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the Bonds. The Issuer has the right to issue bonds that are secured by a pledge of the Pledged Receipts that is subordinate to the pledge created by the Master Indenture which do not rank on a basis of equality and parity with the Bonds, but only if such subordinate bonds are issued in express recognition of the priorities, liens and rights created and existing for the security and source of payment and protection of the Bonds.

No Refunding Bonds on a parity as to security with the Bonds may be issued unless at such time the Issuer is and has been in continuous compliance with all of the provisions with reference to the payment of the principal and interest with respect to the Bonds and is and has been in continuous compliance with all of the covenants hereunder and no default exists under the Financing Agreement.

Establishment of Funds. The Issuer under the terms of the Master Indenture establishes (i) the Cost of Issuance Fund and the Capitalized Interest Fund; (ii) the Revenue Fund; (iii) the Project Fund; (iv) the Fee Payment and Administration Fund; (v) the Rebate Fund; and (vi) such other Funds and Accounts which may be created from time to time as provided in the Master Indenture or in a Series Indenture in order to accomplish the purposes of the Act and the Master Indenture and which are not inconsistent with the requirements of the Master Indenture.

Each of the above Funds, in addition to other Funds and Accounts from time to time established, will be held and maintained by the Trustee pursuant to the provisions of the Master Indenture and any Series Indenture.

Cost of Issuance Fund and the Capitalized Interest Fund. The Trustee will establish and create a separate account of the Cost of Issuance Fund and of the Capitalized Interest Fund for each Series of Bonds. There will be deposited in the Cost of Issuance Fund, the amount required by the applicable Series Indenture. The Trustee will from time to time pay out, or permit the withdrawal of, moneys from the Cost of Issuance Fund, free and clear of any lien or pledge or assignment in trust created by the Master Indenture, for the purpose of paying any Costs of Issuance, upon receipt by the Trustee of a written requisition of the Issuer signed by an Authorized Officer of the Issuer stating with respect to each payment to be made, the Costs of Issuance to be so paid.

If any moneys remain in an account of the Cost of Issuance Fund on the date which is five months from the date of issuance of the Related Series of Bonds, the Trustee will transfer such amounts to the General Account of the Revenue Fund.

Revenue Fund and Flow of Funds. The Master Indenture establishes and creates within the Revenue Fund an Interest Account, a Principal Account, and a General Account.

(i) The Board and the Department have agreed in the Financing Agreement that debt service on the Bonds will be made using FHWA Funds received from the Federal Highway Administration through continuous appropriation from the State Highway Account and the GARVEE Debt Service Fund and appropriate state match payments with respect to one or more Projects. The Board and the Department have agreed in each applicable Supplement to Financing Agreement to pay, or cause to be paid, subject to applicable requirements for annual appropriation of funds, in equal monthly installments from the State Highway Account first to the GARVEE Debt Service Fund and then to the Trustee for deposit into the General Account of the Revenue Fund the sums set forth in such supplement as payment of the state matching fund requirement. In addition, the Board and the Department have agreed in the Financing Agreement to arrange for the scheduled debt service payment to be remitted to the Trustee from the GARVEE Debt Service Fund at least three (3) Business Days prior to the scheduled debt service payment date.

(ii) The Trustee will, upon receipt, deposit all Pledged Receipts into the General Account of the Revenue Fund. The Trustee will also deposit into the General Account of the Revenue Fund all other moneys delivered to the Trustee by the Department or the Board for deposit into such account. On the 5th Business Day prior to each Interest Payment Date, the Trustee shall deliver a written certification in the form set forth in the Master Indenture to the Issuer, the State Controller, the State Treasurer and the Board specifying the total amount of funds on deposit in the General Account of the Revenue Fund and indicating that such amount shall be applied as a credit against amounts required to be paid to the Trustee on or prior to such Interest Payment Date for the payment of principal, interest and other amounts required for Bonds as directed by the Issuer pursuant to Section 40-718(2) Idaho Code, as amended. Subject to the provisions of the Master Indenture, the Trustee shall on the Business Day prior to each Interest Payment Date transfer all moneys in the General Account of the Revenue Fund in the following order of priority and as follows:

(1) Into the Interest Account, an amount equal to the interest and any Exchange Payment becoming due on Bonds on the next succeeding Interest Payment Date;

(2) Into the Principal Account, an amount equal to the principal amount of Bonds becoming due on the next succeeding Interest Payment Date;

(3) Upon written direction of the Issuer, into the Rebate Fund, an amount equal to the Rebate Amount;

(4) Into the Fee Payment and Administration Fund, an amount equal to (i) Trustee Fees and Issuer Fees then due or to become due on such interest payment date, (ii) any expenses of the Issuer or the Trustee then due or to become due on such Interest Payment Date, (iii) any amounts due or to become due on such Interest Payment Date to other fiduciaries under this Indenture, and (iv) any fees and expenses of any Credit Facility Provider or Liquidity Facility Provider then due or to become due on such Interest Payment Date; and

(5) Amounts remaining shall be retained in the General Account or transferred as otherwise set forth in a Series Indenture.

There shall be established, from time to time under a Series Indenture, within the Revenue Fund the following:

(1) A Purchase Account for each Credit Facility and Liquidity Facility then securing any Bonds, into which shall be deposited all amounts received (i) from the Remarketing Agent with respect to any remarketing of the Bonds Related to that account, which shall be deposited into a “Remarketing Proceeds Subaccount” or (ii) under a draw on any Liquidity Facility or Credit Facility for the payment of the Purchase Price for any Bonds Related to that account which are tendered and not remarketed by the Remarketing Agent, which shall be deposited in a “Draw Subaccount.”

(2) A Credit Facility Account, for each Credit Facility then securing any Bonds, into which shall be deposited all amounts received from draws under a Related Credit Facility to pay the principal of, interest on (or any Related Exchange Payments) and premium, if any, on any Bonds Related to that account.

Moneys in the Accounts of the Revenue Fund shall be used as follows:

(1) Amounts in the Interest Account shall be used to pay (i) interest on the Bonds, unless draws have been made on a Credit Facility for such purpose, in which case, amounts corresponding to such draws shall be paid to the Credit Facility Provider and (ii) to pay the Exchange Payment.

(2) Amounts in the Principal Account shall be used to pay principal on the Bonds, unless draws have been made on a Credit Facility for such purpose, in which case, amounts corresponding to such draws shall be paid to the Credit Facility Provider.

(3) Amounts in a Purchase Account shall be used to purchase Bonds Related to the Credit Facility or Liquidity Facility for which the Purchase Account was created, which are tendered for purchase, subject to the provisions of the Related Series Indenture.

(4) Amounts in a Credit Facility Account shall be used to pay the principal of, interest on (or any Related Exchange Payments) and premium, if any, on Bonds secured by the Related Credit Facility.

Subject to the priority of payments described above, the Trustee will transmit to any Paying Agent, as appropriate, from moneys in the Revenue Fund applicable thereto, amounts sufficient to make timely payments of principal and Purchase Price of, and interest on and premium, if any, on the Bonds to be made by such Paying Agent and then due and payable. The Issuer authorizes and directs the Trustee to cause withdrawal of moneys from the Revenue Fund which are available for the purpose of paying, and are sufficient to pay, the principal and Purchase Price of, premium, if any, and interest on the Bonds as they become due and payable (whether on an Interest Payment Date, upon tender thereof, at stated maturity, or upon redemption), for the purposes of paying or transferring moneys to the Paying Agents which are necessary to pay such principal, Purchase Price, premium and interest. Exchange Payments and reimbursement payments under a Credit Facility Agreement and a Liquidity Facility shall be paid by wire transfer of immediately available funds.

Provisions regarding draws on any Credit Facility or Liquidity Facility pursuant to their terms, in the amounts and at the times necessary to pay the Purchase Price, principal of, interest on (and any Related Exchange Payments) and premium, if any, on any Bond shall be set forth in the Series Indenture Related to such Bond.

Project Fund. The amount required by each applicable Series Indenture will be deposited in the Project Fund. The Trustee is directed under the Master Indenture to make disbursements from each account of the Project Fund on a first-in-first-out basis in accordance with and as required by the provisions of written requisitions filed from time to time by an Authorized Officer of the Department and in accordance with the provisions of the Financing Agreement. The Trustee is required to keep and maintain adequate records pertaining to the Project Fund and all disbursements therefrom. All of the income derived from investment of each account of the Project Fund will, at the option of the Department, be transferred as received to the Rebate Fund based on written instructions from the Issuer to the Trustee, be retained in the Project Fund or be transferred to the General Account of the Revenue Fund and disbursed therefrom on the next succeeding Interest Payment Date or held in the such account and used for the purposes thereof. If any amount remains in an account of the Project Fund after an Authorized Officer of the Department certifies that the Project has been completed, such amount will be transferred to the General Account of the Revenue Fund.

Rebate Fund. If a Series of Bonds is determined to be subject to the “rebate” requirements in favor of the United States of America imposed by the Code, there will be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Master Indenture. Subject to the transfer provisions provided in the Master Indenture, all money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Amount, for payment to the federal government of the United States of America, and neither the Issuer, the Board nor the owner of any Bonds will have any rights in or claim to such money.

Investment of Funds. The Master Indenture requires amounts on deposit in any Fund or Account to be invested in Eligible Investments at the direction of the Issuer. The Trustee may make any and all investments permitted by the provisions of the Indenture through its own or any of its affiliates investment department. The Trustee shall sell at the best price reasonably obtainable, or present for redemption or exchange, any Eligible Investments purchased by it as an investment pursuant to the Master Indenture whenever it will be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account from which such investment was made. Except as otherwise provided in the Master Indenture, earnings and losses on Eligible Investments are required to be credited to the Fund or Account with respect to which such investments were made (or pro-rated thereto) and will become a part thereof for all purposes, except as otherwise provided in the Master Indenture.

Powers as to Bond and Pledge. Under the Master Indenture and each Series Indenture, the Issuer is authorized to issue the Bonds and execute and deliver the Master Indenture and each Series Indenture and pledge the income, revenues and assets pledged by the Master Indenture and each Series Indenture in the manner and to the extent provided in the Master Indenture. The income, revenues and assets pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Master Indenture and each Series Indenture, and all official action on the part of the Issuer to that end has been or will be duly and validly taken. The Bonds and the provisions of the Master Indenture and each Series Indenture are and will be the valid and legally enforceable obligations of the Issuer in accordance with their terms and the terms of the Master Indenture and each Series Indenture. The Issuer is required to at all times, to the extent permitted by law, defend, preserve and protect the pledge of the incomes, revenues and assets pledged under the Master Indenture and each Series Indenture and all the rights of the Holders under the Master Indenture and each Series Indenture against all claims and demands therefor of all persons whomsoever.

Covenants as to Financing Payments and Additional Payments. The Master Indenture establishes that the Financing Agreement will continue to be maintained by the Issuer. In the event the Department for any reason whatsoever fails to perform its obligations specified in the Financing Agreement, the Issuer covenants with the holders of the Bonds, that it will use its best efforts to make or

cause to the Department to perform such covenants; provided, however, that no action will be taken which, in Counsel's opinion, would have the effect of materially altering the federal income tax status of the interest earned on the Bonds.

Covenant to Enforce the Financing Agreement and Memorandum of Agreement. So long as any of the Bonds are Outstanding and unpaid as to either principal or interest or any obligation of the Issuer under a Credit Facility, Liquidity Facility, or Exchange Agreement remains unpaid, the Issuer will continuously enforce the Financing Agreement and Memorandum of Agreement to the maximum extent permitted by law, and will not consent to any modification of the Financing Agreement or Memorandum of Agreement which would in any particular way impair the security created for the holders of the Bonds a Credit Facility Provider, Liquidity Provider or Exchange Counterparty.

Tax Covenant. The Issuer is required to do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Issuer on the Bonds will, for the purposes of federal income taxation, be excludable from gross income under any valid provision of law including but not limited to, provisions of the Code and Section 122 of Title 23, as applicable.

Supplemental Trust Indentures Effective Without Consent of Holders. The Master Indenture prescribes procedures whereby the Issuer may, with the written consent of the Trustee, execute and deliver at any time from time to time Supplemental Trust Indentures for any one or more of the following purposes: to further secure the payment of the Bonds; to authorize the issuance and delivery of a Series of Bonds or Additional Bonds to further limit and restrict the issuance of Bonds and the incurring of indebtedness by the Issuer; to surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of the Master Indenture; to confirm any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the Master Indenture; to modify any of the provisions of the Master Indenture or any Series Indenture in any other respects (provided that such modifications will not be effective until after all Bonds Outstanding as of the date of execution and delivery of such Supplemental Indenture cease to be Outstanding; to cure any ambiguity or defect or inconsistent provision; to the extent not inconsistent with the terms of the Master Indenture, such provisions as may be necessary for the issuance of Additional Bonds under the terms of the Master Indenture; to modify any provisions of the Master Indenture in order to obtain a Liquidity Facility, Credit Facility or Exchange Agreement, so long as such modifications affect only the Bonds to which such Liquidity Facility, Credit Facility or Exchange Agreement relate; or for any other purpose provided that, in the opinion of Counsel, any such amendment or modification does not materially adversely affect the rights of Holders affected thereby.

A Supplemental Indenture for the purposes described above becomes effective upon the execution thereof by the Issuer and the Trustee and delivery thereof to the Trustee. At any time thereafter, notice stating in substance that the Supplemental Trust Indenture has been delivered to the Trustee and is effective pursuant to the Master Indenture is required to be given to Holders by the Issuer by mailing such notice to Holders by regular United States mail.

Supplemental Trust Indentures Effective with Consent of Holders. The Master Indenture or any Series Indenture may also be modified or amended at any time or from time to time by a Supplemental Indenture, subject to the written consent of the Holders in accordance with and subject to the provisions of the Master Indenture.

Supplemental Trust Indentures Effective with Counsel's Opinion. A copy of every Supplemental Trust Indenture adopted by the Issuer when filed with the Trustee is required to be accompanied by a Counsel's Opinion stating that such Supplemental Trust Indenture has been duly and lawfully adopted in accordance with the provisions of the Master Indenture, is authorized or permitted by

the Master Indenture and is valid and binding upon the Issuer and enforceable in accordance with its terms.

Limitations on Powers of Amendment. Any modification or amendment of the Master Indenture or any Series Indenture and of the rights and obligations of the Issuer and of the Holders of the Bonds pursuant to may be made by a Supplemental Trust Indenture, with the written consent given by the Holders of at least a majority in principal amount of the Bonds Outstanding of each Series affected by such amendment at the time such consent is given. No modification or amendment may permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon or a reduction in the principal amount thereof or in the rate of interest thereon without the consent of the Holder of such Bonds, or reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. A Series will be deemed to be affected by a modification or amendment of the Master Indenture or any Series Indenture if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series.

The Trustee may receive a Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Master Indenture or any Series Indenture and any such opinion shall be binding and conclusive on the Issuer and all Holders of Bonds. The Trustee may also receive a confirmation from each Rating Agency rating the Bonds Outstanding that the then existing ratings on the Bonds Outstanding will not be affected by a proposed modification or amendment of the Master Indenture or a Series Indenture, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by such modification or amendment.

In cases where a Series of Bonds is insured by bond insurance, the Trustee may, pursuant to the terms of such bond insurance agreement, accept the consent of the bond insurer or insurers of such Series of Bonds as the consent of the Holders of the Series of Bonds Outstanding and affected where the consent of the Holders to any modification or amendment is required.

Consent of Holders. A copy of a Supplemental Indenture requiring consent of the Holders, or summary thereof, together with a request to the Holders for their consent thereto will promptly after adoption be mailed by the Issuer to the Holders (but failure to mail such copy and request shall not affect the validity of the Supplemental Indenture when consented to as provided in the Master Indenture). Such Supplemental Indenture will not be effective unless and until (a) there shall have been filed with the Trustee (i) the written consents of the proper percentage of Holders of Outstanding Bonds and (ii) a Counsel's Opinion, and (b) notice thereof must have been mailed to all Holders. Any such consent will be binding upon the Holder of the Bonds giving such consent and, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee described in Section 8.2 of the Master Indenture is filed.

At any time after the written statement of the Trustee is filed with the Issuer, notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture adopted by the Issuer on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as described in this paragraph, is required to be given to the Holders by the Issuer by mailing such notice to the Holders. A transcript, consisting of the papers described in this paragraph to be filed with the Trustee, will be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification will be deemed conclusively binding upon the Issuer, the Fiduciaries and the Holders of all Bonds.

Events of Default. Each of the following events shall constitute an “Event of Default”:

- (1) payment of any principal on any Bond is not be made when and as the same becomes due or upon call for redemption or otherwise; or
- (2) Payment of any installment of interest on any Bond or any Exchange Payment is not be made when and as the same becomes due; or
- (3) payment of any Bond tendered to the Remarketing Agent for purchase is not be made when due and the continuance of such failure for one Business Day after the Paying Agent has given written notice of such failure to the Remarketing Agent, any Liquidity Provider, any Credit Facility Provider, and the Issuer; or
- (4) the Issuer fails or refuses to comply with the provisions of the Act, or defaults in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Master Indenture, any Series Indenture or the Bonds and such failure, refusal or default shall continue for a period of thirty (30) days after written notice thereof by (i) a Liquidity Provider or Credit Facility Provider or (ii) the Trustee or the Holders of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds, provided that the notice set forth in clause (i) may only be given for Bonds secured by a Credit Facility or a Liquidity Facility if the Credit Facility Provider or the Liquidity Provider is not in default of its obligations under such Credit Facility or Liquidity Facility, as applicable; or
- (5) receipt by the Trustee (i) from a Credit Facility Provider, within the time period specified in a Credit Facility, of notice that it will not reinstate amounts drawn on such Credit Facility to pay interest on the Bonds or (ii) from a Liquidity Provider or Credit Facility Provider of notice that an Event of Default has occurred under a Liquidity Facility or Credit Facility Agreement; or
- (6) the Issuer shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

No Acceleration. The obligations of the Issuer for payment of principal of, or interest on, the Bonds are not subject to acceleration prior to maturity.

Other Remedies. Upon the occurrence of an Event of Default specified in paragraphs (1), (2), (3), (5) or (6) under “Events of Default” herein, the Trustee is required to proceed, or upon the happening and continuance of an Event of Default specified in paragraph (4) under “Events of Default” herein, with the written consent of any Credit Facility Provider, any Exchange Counterparty, and any Liquidity Provider the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five percent (25%) of the Outstanding Bonds is required to proceed, in its own name, subject to the provisions described in this paragraph, to protect and enforce its rights and the rights of the Holders by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Master Indenture or in aid of the execution of any power granted therein or in the Act or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by its counsel, will deem most effectual to protect and enforce such rights or to perform any of its duties under the Master Indenture.

Upon the occurrence of an Event of Default with respect to Bonds secured by a Credit Facility or Liquidity Facility, the Trustee is required to make any such declaration only upon the written direction, or

upon the written consent of the related Credit Facility Provider and Liquidity Provider; provided that such consent will only be required when the Event of Default is not described in clause (i) of paragraph (5) under “Events of Default” herein and the applicable Credit Facility Provider or Liquidity Provider is not in default of its obligations under its Credit Facility or Liquidity Facility, as applicable. Any right of an Exchange Counterparty (whether as to request, consent or otherwise) under Article IX of the Master Indenture will be exercisable by the Exchange Counterparty only if (i) such Exchange Counterparty is not in default of its obligations under its Exchange Agreement and (ii) all obligations of the parties other than the Exchange Counterparty under such Exchange Agreement have not been satisfied.

In the enforcement of any rights and remedies under the Master Indenture or any Series Indenture, the Trustee will be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due and unpaid from the Issuer for principal, interest or otherwise, under any provision of the Master Indenture or any Series Indenture or of the Bonds, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Master Indenture and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders, and to recover and enforce a judgment or decree against the Issuer, but solely as provided in the Master Indenture or any Series Indenture and in the Bonds for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

Priority of Payments After Default. In the event that upon the happening and continuance of any Event of Default, the funds held by the Fiduciaries are insufficient for the payment of principal and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee acting pursuant to the Act and the Master Indenture, after making provision (i) for the payment of any expenses necessary in the opinion of the trustee to protect the interests of any Credit Facility Provider, and Liquidity Provider, any Exchange Counterparty, and the Holders of the Bonds and (ii) for the payment of the charges and expenses and liabilities incurred and advances made by the Fiduciaries in the performances of their respective duties under the Master Trust Indenture or any Series Indenture, it being understood that amounts drawn on a Credit Facility will not be used for the purposes described in clauses (i) and (ii) and will be applied as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

First: To the payment to the persons entitled thereto of all installments of interest (or Related Exchange Payments) then due on the Bonds in the order in which installments became due and payable, and, if the amount available shall not be sufficient to pay in full any installments, then to the payment thereof ratably, accordingly to the amounts due on such installments, to the persons entitled thereto, without any discrimination or preference except as to the difference in the respective rates of interest on the Bonds; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full the principal on the Bonds due on any date, together with the interest then to the payment on the interest ratably, according to the amounts of the interest due on such date, and then to payment of such principal, ratably, according to the amount of principal due on such date to the persons entitled thereto, including amounts owed to a Credit Facility Provider in respect of principal, without any

discrimination or preference except as to the difference in the respective rates of interest on the Bonds.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest (or Related Exchange Payments) due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, accordingly to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(3) Whenever moneys are to be applied by the Trustee as described in Section 9.5 of the Master Indenture, such moneys are required to be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The deposit of such moneys with the Fiduciaries, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee, and the Trustee will incur no liability whatsoever to the Issuer, to any Holder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Master Trust Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee exercises such discretion in applying such moneys, it will fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee is required to give such notice as it may deem appropriate for the fixing of any such date. The Trustee is not required to make payment to the Holder of any unpaid Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Direction of Proceedings. Unless otherwise provided in a Series Indenture, anything in the Master Indenture or Series Indenture to the contrary notwithstanding, any Credit Facility Provider, any Liquidity Provider, any Exchange Counterparty, and the Holders of the majority in principal amount of Bonds then Outstanding will have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Master Indenture, provided that such direction will not be otherwise than in accordance with law or the provisions of the Master Indenture or any Series Indenture, and that the Trustee will have the right to decline to follow any such direction (i) which in the opinion of the Trustee would be unjustly prejudicial to Holders not parties to such direction or (ii) there has not been offered to the Trustee reasonable security and indemnity against the cost, expenses (including reasonable legal expenses) and liabilities to be incurred with respect thereto. In the event of a conflict between directions from a Credit Facility Provider, a Liquidity Provider, an Exchange Counterparty and such Holders, direction is required to be followed in priority order as follows: (i) a Credit Facility Provider, so long as such Credit Facility Provider is not in default of its obligations under its Credit Facility Agreement; (ii) a Liquidity Provider, so long as such Liquidity Provider is not in default of its obligations under its Liquidity Facility, (iii) the Holders and (iv) an Exchange Counterparty, so long as such Exchange Counterparty is not in default of its obligations under its Exchange Agreement.

Limitation on Rights of Holders. No Holder of any Bond will have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Master Indenture, or for the

protection or enforcement of any right under the Master Indenture or any right under the law unless such Holder has given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five percent (25%) of the Bonds then Outstanding have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, have occurred, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Master Indenture or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the cost, expenses (including reasonable legal expenses) and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time, it being understood that the Trustee is required to make all required draws on any Credit Facility in accordance with the applicable Series Indenture, make payments on the Bonds as provided in the Master Indenture (to the extent funds are available for such purpose) and declare the Bonds due and payable as provided in the Master Indenture, regardless of having received any indemnity or security; and such notification, request and offer of indemnity are in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Master Indenture or any Series Indenture or for any other remedy under the Master Indenture or under law. It is understood and intended that no one or more Holders of the Bonds will have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Master Indenture, or to enforce any right under the Master Indenture or under law with respect to the Bonds or the Master Indenture or any Series Indenture, except in the manner provided in the Master Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Master Indenture and for the benefit of all Holders. Nothing in the Article IX contained will affect or impair the right of any Holder to enforce the payment of the principal of and interest on its Bonds, or the obligation of the Issuer to pay the principal of and interest on each Bond issued under the Master Indenture to the Holder thereof at the time and place stated in said Bond.

Anything in the Master Indenture or Series Indenture to the contrary notwithstanding, each Holder of any Bond by his acceptance thereof will be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Master Indenture or any Series Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable cost of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions described in this paragraph will not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding at least twenty-five percent (25%) of the Bonds Outstanding, or to any suit instituted by any Holders for the enforcement of the payment of the principal of, premium, if any, or interest on any Bond on or after the respective due date thereof expressed in such Bond.

Trustee. Prior to the occurrence of an Event of Default, the Trustee is required to perform only those duties specifically set forth in the Master Indenture or the related Series Indenture. If an Event of Default, of which the Trustee has received notice, has occurred and is continuing, the Trustee is required to exercise its rights and powers and use the same degree of care and skill as a prudent man would exercise under the circumstances in the conduct of his own affairs.

Evidence on Which Fiduciaries May Act. Each Fiduciary will be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, note, or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Issuer, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Master Indenture in good faith and in accordance therewith. Whenever any

Fiduciary will deem necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Master Indenture, including payment of moneys out of any Fund or Account, such matter (unless other evidence in respect thereof be specifically prescribed in the Master Indenture) may be deemed to be conclusively proved and established by a certificate signed by an Authorized Officer of the Issuer, and such certificate will be full warrant for any action taken or suffered in good faith under the provisions of the Master Indenture and any Series Indenture in which said Fiduciary has accepted said trust upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may deem reasonable. Except as otherwise expressly provided in the Master Indenture, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision of the Master Indenture by the Issuer to any Fiduciary is required to be sufficiently executed if executed in the name of the Issuer by an Authorized Officer of the Issuer.

Permitted Acts and Functions. The Trustee and any Paying Agent may become the owner of any Bonds, with the same rights it would have if it were not such Fiduciary. Any Fiduciary may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Holders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Master Indenture, whether or not any such committee is required to represent the Holders of a majority in principal amount of the Bonds then Outstanding.

Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Master Trust Indenture or any Series Indenture by giving not less than sixty (60) days' written notice to the Issuer and by mailing notice (specifying the date such resignation is to take effect) through regular United States mail, postage prepaid, to each Holder of Bonds, and such resignation will take effect upon the day specified in such notice unless (i) no successor has been appointed as provided in the Master Indenture, or (ii) previously a successor shall have been appointed, as provided in the Master Indenture, in which event such resignation will take effect immediately on the appointment of such successor. If a successor trustee is not appointed within sixty (60) days, the Trustee will be entitled to petition a court of competent jurisdiction to appoint a successor Trustee.

Removal of Trustee. The Trustee may and, if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Issuer, and signed by the Holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Issuer, are required to be removed by the Issuer (so long as no Event of Default has occurred and is continuing) by an instrument or concurrent instruments in writing, filed with the Trustee and the Issuer and signed by the Issuer or the Holders of Bonds, as appropriate. No such removal will be effective until a successor Trustee has been appointed and assumed the duties of Trustee as provided in the Master Indenture.

Appointment of Successor Trustee. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer covenants and agrees that it will thereupon appoint a successor Trustee. The Issuer is required to provide notice of any such appointment made by it within twenty (20) days after such appointment to Holders of Bonds.

If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions within forty-five (45) days after the Trustee shall have given to the Issuer written notice, as provided in the Master Indenture, or after a vacancy in the office of the Trustee shall have occurred by reason of its removal or inability to act, the Trustee or the Holder of any Bond may apply to any court of competent

jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

Any Trustee appointed in succession to the Trustee is required to be a trust company or bank having the powers of a trust company within or outside the State, having a capital and surplus aggregating at least Seventy-Five Million Dollars (\$75,000,000) if there be such a trust company or bank willing and able to accept the office on reasonable and customary terms and authorized by law to perform all duties imposed upon it by the Master Indenture or Series Indenture.

Defeasance. Bonds or interest installments of particular Bonds or Series of Bonds for the payment or redemption of which moneys will have been set aside and are required to be held in trust by Fiduciaries will, at the maturity or date of redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the Master Indenture. Particular Bonds or Series of Bonds will, prior to the maturity or redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the Master Indenture, if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer will have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice of redemption in the manner prescribed in the Master Indenture, and in the applicable Series Indenture, (b) there will have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient, to pay when due the principal and interest due and to become due on said Bonds on or prior to the Redemption or maturity date thereof, as the case may be, and all amounts payable under any Related Liquidity Facility, Credit Facility Agreement or Exchange Agreement, (c) in the event said Bonds are not subject to redemption within the next 60 days, the Issuer will have given the Trustee in form satisfactory to it irrevocable instructions to notify the Holders of such Bonds of such redemption in the manner herein provided for giving notice of redemption and (d) a Counsel's Opinion that the defeasance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Neither Defeasance Obligations or moneys deposited with the Trustee as described in this paragraph, nor principal or interest payments on any such obligations, may be withdrawn or used for any purpose other than, and must be held in trust for, the payment of the principal and interest on said Bonds.

Anything in the Master Indenture or Series Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Fiduciary after said date when all of the Bonds became due and payable, will (subject to the provisions of Article V of the Master Indenture), at the written request of the Issuer, be repaid by the Fiduciary to the Issuer, as its absolute property and free from trust, and the Fiduciary will thereupon be released and discharged.

“Defeasance Obligations” means and includes any of the following:

1. Cash.
2. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – “SLGs”).
3. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.

4. Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

5. Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

- a. U.S. Export-Import Bank (Eximbank). Direct obligations or fully guaranteed certificates of beneficial ownership.
- b. Farmers Home Administration (FmHA). Certificates of beneficial ownership.
- c. Federal Financing Bank.
- d. General Services Administration. Participation certificates.
- e. U.S. Maritime Administration. Guaranteed Title XI financing.
- f. U.S. Department of Housing and Urban Development (HUD). Project Notes; Local Authority Bonds; New Communities Debentures - U.S. government guaranteed debentures; U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds.

The insurer of the Bonds to be defeased shall be provided with an opinion of counsel acceptable to such insurer that the Bonds have been legally defeased and that the escrow agreement establishing such defeasance operates to legally defease such Bonds within the meaning of the Master Indenture and the Supplemental Indenture relating to such Bonds. In addition, the insurer of the Bonds to be defeased will be entitled to receive (i) 15 business days notice of any advance refunding of such Bonds and (ii) an accountant’s report with respect to the sufficiency of the amounts deposited with the Trustee to defease such Bonds.

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EXHIBIT C

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER FINANCING AGREEMENT AND THE SEVENTH SUPPLEMENT THERETO

The following is a summary only of certain provisions of the Master Financing Agreement (the “Agreement”) and the Seventh Supplement thereto (the “Supplement”) among the Issuer, the Board and the Department, executed in connection with the Bonds and reference should be made to the specific document, an executed counterpart of which will be on file in the corporate trust office of the Trustee, for a complete recital of the terms of such Agreement.

The Agreement

General Covenants of the Issuer. Upon notification from the Department that an issue of bonds is planned and that the Board plans to make its certifications and requests for bonding authority, the Issuer agrees to:

- a. Select the service providers including without limitation underwriters, financial advisors, if any, counsel and other participants for each bond issuance who shall be paid from the proceeds of the issuance of the bonds.
- b. Manage the issuance of the bonds to provide funds at competitive rates in the bond marketplace and at reasonable times subject to market factors in its discretion.
- c. Receive an issuance fee as provided in the Supplement (the “Issuance Fee”) and an annual monitoring/servicing fee as provided in the Supplement (the “Monitoring Fee”)
- d. Provide such certification as required under the Act (Sections 40-707(1) and 40-718(2)(a), Idaho Code, as amended) to cause the continuing appropriation of federal funds from the State Highway Account for payment of the debt service and other costs for the bonds.
- e. Provide periodic reports (on or before October 31 of each year) to the Board and the Department.

General Covenants of the Board and Department. When it determines that the bonds need to be issued to provide funds to finance one or more highway projects, the Board or the Department will:

- a. Provide information to the Issuer as needed for structuring of the bond issues and as requested for rating agency and bond insurer evaluation and underwriter requirements.
- b. Provide a description of each project or portion of project to be financed by issuance of the bonds.
- c. Provide and arrange for state funds as required for match for federal highway funds under FHWA requirements as further described below.
- d. Seek legislative approvals as required by the Act and as further described below.
- e. Provide for monitoring of fund availability for continuing appropriation under the Act as further described below.

- f. Coordinate arrangements with the FHWA for funding and provide estimates of funding availability.
- g. Provide a representative to participate with the Issuer in the structuring and planning for bond issues and cooperate with the Issuer in providing information as needed for planning purposes.
- h. Participate as needed in rating agency, bond insurer and investor presentations.
- i. Provide certifications as required by the Act.
- j. Provide reports to the Issuer as needed and any such reports as required under the Act

Initiating the Legislative Process. Beginning with its budget submission process for the fiscal year commencing July 1, 2006, and for each fiscal year thereafter where the Department and Board seek to finance a project or portion thereof, the Board shall submit its request for bonding authority as part of its budget request as required under Section 40-315(4), Idaho Code. The Issuer shall assist in providing information as to the financing of such project or portion thereof. Prior to the submission of the budget to the legislature, the parties shall submit a draft Supplement to the Agreement. Once the Department and Board have completed the legislative process and desire to cause the issuance of the bonds, they will execute a Supplement to the Agreement, together with any required certifications.

Payment of Fees and Costs. It is understood that the issuance fee of the Issuer, the costs of issuance of the bonds, including without limitation underwriting fees, counsel fees, initial rating agency fees, initial bond insurer fees, initial trustee fees, printing costs for disclosure documents and costs of preparation, filing or recording of any legal instruments or documents shall be paid from the proceeds of the bonds. The annual trustee fees, Issuer Monitoring Fee, any periodic rating agency fees or other fees shall be paid along with the annual debt service through the continuing appropriation of funds from the State Highway Account.

Project Cost Accounting and Payment.

a. As bonds are issued by the Issuer, the Department will establish a federal debt service project (herein referred to as a “DS Project”) under FHWA requirements for each of the individual projects (the “Individual Projects”) receiving the benefit of bond financing. The total amount of debt service costs (including principal, interest issuance and other annual financing costs such as Issuer monitoring fees, trustee fees and periodic rating agency fees) attributable to each project over the life of the bonds will be authorized, budgeted, and obligated as Advanced Construction utilizing the Department’s Federal Aid agreement/authorization process with FHWA. The request for each project agreement will include a statement that the project authorization is requested under the provisions of Title 23 Sec. 122 U.S. Code.

b. Required statistical data will be provided by the Department to FHWA at the time each of the Individual Projects is submitted for FHWA approval. The Department will track the DS Projects as advanced construction projects and will accumulate cost data for specific work within each described Individual Project within its financial system. Each Individual Project will be included in the Statewide Transportation Improvement Program.

c. The Department will maintain documentation for Individual Project costs in accordance with its accounting procedures as well as maintain documentation relied upon as the basis for reimbursement of costs to be paid by bond proceeds. All relevant documentation on each DS Project will be available for audit purposes.

Payment of Bond Debt Service. The debt service payments on the bonds will be made using federal funds received from FHWA and appropriate state match with respect to one or more of the DS Projects. The Department will request reimbursements from FHWA for each DS Project on the basis of debt-related costs, according to the debt service schedule prepared for each DS Project. While bonds are outstanding, by the seventh (7th) business day of each new Federal Fiscal Year October 1 through September 30 each year, the Department will submit one or more requests to the FHWA to partially convert an Advance Construction Amount (as defined in Title 23, Section 122, U.S. Code) sufficient to pay the scheduled debt service due and payable within the new Federal Fiscal Year from one or more of the DS Projects. If only a portion of the annual amount of cash to be paid to the Department for DS Projects (Obligation Authority) is available, the Department will reserve the pro-rata share of that portion of the Obligation Authority for debt service payments for that year until the full annual Obligation Authority becomes available. The Department will bill FHWA at least four (4) business days prior to the scheduled due date of the debt service payment. The Department expects that FHWA will reimburse the Department for those costs according to the Cash Management Improvement Act (CMIA) agreement in effect at the time of the request in order for those funds to be deposited into the State Highway Account for making the scheduled debt service payment to the bond trustee. The funds deposited into the State Highway Account from FHWA for debt service are continually appropriated and will be transferred to the GARVEE Debt Service Fund for payment to the bond trustee. The Department will arrange for the scheduled debt service payment to be transmitted to the bond trustee from the GARVEE Debt Service Fund at least three (3) business days prior to the scheduled date of debt service. The Department will also arrange for any required state matching portion of any scheduled debt service payments to be transmitted to the bond trustee monthly according to a schedule set forth in the Supplement.

FHWA Project Closure. The closure of Individual Projects will follow the federal aid project closure process. The DS Projects will remain open until all debt service payments and other periodic financing costs have been made in full for that DS Project. At closure, the principal amount paid on each DS Project will not exceed the total of all direct expenditures incurred by the related Individual Project.

Execution of Supplements to the Agreement. The Issuer, the Board and the Department agree to execute a Supplement to the Agreement for each specific bond issue to finance a project or portion thereof which will provide for various items including but limited to the following:

- a. All certifications required of the Issuer, the Board and the Department under the Act.
- b. A specific description of the specific project or portion thereof to be financed under the Act and the amount of such financing.
- c. Reference to the specific legislative approval for the project financing.
- d. Specific service providers, rating agencies and other parties for the bond issue.
- e. The Issuance Fee and Monitoring Fee as set forth in the Agreement.
- f. Reference to the Agreement(s) with the FHWA related to the specific projects being financed.
- g. Specific amounts of state matching funds required by the FHWA and times for payment.
- h. A general time line, subject to change as needed.
- i. An estimated sources and uses of bond proceeds.

Term. The Agreement shall remain in full force and effect until such time as no bonds remain outstanding.

Trustee as Third-Party Beneficiary. The trustee for the bonds is designated an intended third-party beneficiary of the Agreement with a recognized and enforceable right to performance of its provisions, subject to such limitations on enforcement as may be set forth in the bond documents.

Failure of Parties to Perform. If any of the undersigned parties fail to perform or abide by their obligations established herein or in the bond documents, the Issuer, the Board, Department or the trustee (subject to the limitations set forth in the bond documents) may petition a court of competent jurisdiction to issue a mandamus order to such party failing to perform to compel specific performance thereof, or take such other actions as they deem reasonable and necessary to enforce their rights under the Master Financing Agreement.

The Supplement

Certification by the Board and Department. The Board and Department certify to the Issuer as follows:

a. Based upon the expected continuation of the federal highway program, sufficient federal highway trust funds are available to make the payments projected to be required for payment of debt service on the 2014 Series A Bonds. The Debt Service Schedule on the 2014 Series A Bonds is attached as Exhibit A to the Supplement.

b. The projects referenced in the Supplement (the "Projects") will be financed, in whole or in part, from the proceeds of the 2014 Series A Bonds issued in the amount of \$ _____ which have been authorized by House Bill 285 of the First Regular Session of the 61st Idaho Legislature ("House Bill 285"). The projects will be paid for from said proceeds together with proceeds of certain of the Association's prior Grant and Revenue Anticipation Bonds, Federal Highway Trust Fund within the maximum amount as set forth in House Bill 285 and as described in Exhibit B to the Supplement. The Board has approved the said Project and recommends that the said Project be funded with the proceeds of the 2014 Series A Bonds.

c. The Board has submitted, within its annual budget requests prepared pursuant to Sections 67-3502 and 40-315(4), Idaho Code, as amended, requests for bonding authority which covers the 2014 Series A Bonds with a list of the Projects, and has received approval for such request as is set forth in Exhibit C to the Supplement.

d. The total cumulative debt service and bond related expenses of the 2014 Series A Bonds do not exceed the limits specified in Section 40-315(3), Idaho Code, as amended.

Description of 2014 Series A Bonds. A description of the 2014 Series A Bonds including, the sources and uses of funds, names of rating agencies and other service providers and parties, along with the closing date for the issuance of such bonds, is set forth in Exhibit D to the Supplement.

Issuance and Monitoring Fee of the Issuer. The issuance and monitoring fees of the Issuer for the 2014 Series A Bonds shall be an issuance fee of \$50,000 due and payable upon the issuance of the 2014 Series A Bonds and an annual monitoring fee of .02% of the outstanding principal amount of the 2014 Series A Bonds, payable in advance with the 2015 fiscal year at closing of the 2014 Series A Bonds, and subsequent annual monitoring fees payable on July 15, 2015 and on July 15 of each year until the 2014 Series A Bonds have been paid in full.

Agreement with Federal Highway Administration (FHWA). Attached as Exhibit E to the Supplement is a copy of the memorandum of understanding and/or other agreement executed by the FHWA and the Board and/or Department covering the Projects. (See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAY - The Memorandum of Agreement” in this Official Statement.)

State Matching Fund Payment. The Board and Department agree, subject to applicable requirements for annual appropriation of funds, that they shall cause to be deposited monthly, to the GARVEE Debt Service Fund and then to the General Account of the Revenue Fund under the Indenture the sums set forth in Exhibit F to the Supplement, for receipt by the Trustee commencing on February 5, 2014, and on the 5th day of each month thereafter as shown on such Exhibit F.

Continuous Appropriation From State Highway Account and GARVEE Debt Service Fund. At closing of the 2014 Series A Bonds, and as necessary thereafter, the Issuer will make the certification to the Board, the Idaho State Controller and the Idaho State Treasurer to cause the transfer to Wells Fargo Bank, National Association, as Trustee for the 2014 Series A Bonds as to the times and amounts necessary for payment of debt service and other amounts required for said bonds, all as provided in Sections 40-707(1) and 40-718(2), Idaho Code, as amended.

Indemnification. The Board, the Department and the Issuer agree that in the event that any claim is made against the Board or the Department as a result of the Issuer’s negligence or willful actions in connection with the issuance of the 2014 Series A Bonds, that the Issuer will indemnify the Board and the Department against any loss, expense or cost resulting from its such actions, including without limitation any attorneys fees and costs related thereto. In the event that any claim is made against the Issuer resulting from the negligence or willful action of the Board or the Department in connection with the construction, planning or development of any of the Projects or due to actions taken as a result of opposition by any person to any of such Projects or to the bonding process, the Board and the Department shall indemnify the Issuer against any loss expense or cost resulting from such actions, including without limitation any attorneys fees and costs related thereto.

Compliance with Legislation. The Board and Department affirm that all of the requirements set forth in House Bill 285, and Chapter 3, Title 40, Idaho Code, as amended, as the same may be amended from time to time, for the 2014 Series A Bonds and the related Project has been and will be complied with, as the case may be, including without limitation requirements as to the amount of the 2014 Series A Bonds, time for issuance thereof and as to any priority of expenditure of 2014 Series A Bond proceeds and that the 2014 Series A Bonds are needed to meet program obligations. In addition, the Board and Department affirm that all requirements of Section 40-315, Idaho Code, as amended have been and will be complied with.

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EXHIBIT D

BOOK-ENTRY-ONLY SYSTEM

The 2014 Series A Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by The Depository Trust Company (“DTC”), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of 2014 Series A Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners (as hereinafter defined) of beneficial ownership interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the 2014 Series A Bonds under the Indenture.

The following information about the book-entry-only system applicable to the 2014 Series A Bonds has been supplied by DTC. Neither the Issuer nor the Trustee makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the 2014 Series A Bonds. The 2014 Series A Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each of the 2014 Series A Bonds, as set forth on the inside cover page hereof, each in the aggregate principal amount of each maturity of the 2014 Series A Bonds and deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the 2014 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2014 Series A Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2014 Series A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the 2014 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2014 Series A Bonds, except in the event that use of the book-entry system for the 2014 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2014 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2014 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of 2014 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2014 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2014 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2014 Series A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2014 Series A Bond documents. For example, Beneficial Owners of the 2014 Series A Bonds may wish to ascertain that the nominee holding the 2014 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2014 Series A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2014 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2014 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the 2014 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners are governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, and disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2014 Series A Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 2014 Series A Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2014 Series A Bond certificates will be printed and delivered to DTC.

NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A HOLDER WITH RESPECT TO: (1) THE 2014 Series A BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2014 Series A BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2014 Series A BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the 2014 Series A Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption or other communications to or by DTC, which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the 2014 Series A Bonds.

The Issuer cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the 2014 Series A Bonds made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

The information in this Exhibit D concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

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EXHIBIT E

SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE AGREEMENT

Definitions

“Annual Bond Disclosure Report” shall mean any Annual Bond Disclosure Report provided by the Issuer pursuant to, and as described in, the Continuing Disclosure Agreement.

“Beneficial Owner” shall mean (for purposes of the Continuing Disclosure Agreement) any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2014 Series A Bonds (including persons holding 2014 Series A Bonds through nominees, depositories or other intermediaries).

“Dissemination Agent” shall mean the Issuer, or any successor dissemination agent designated in writing by the Issuer.

“Listed Events” shall mean any of the events listed herein under “Reporting of Significant Events.”

“Participating Underwriter” shall mean any of the original underwriters of the 2014 Series A Bonds required to comply with the Rule in connection with offering of the 2014 Series A Bonds.

“Repository” shall mean the Municipal Securities Rulemaking Board (“MSRB”) or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Bond Disclosure Reports

The Issuer shall provide, or shall cause the Dissemination Agent to provide, not later than six months after the end of each fiscal year, commencing with a report for the fiscal year ending June 30, 2014, to each Repository an Annual Bond Disclosure Report which is consistent with the requirements of the Continuing Disclosure Agreement.

If an Annual Bond Disclosure Report has not been provided to the Repository by the date specified in the preceding paragraph, the Issuer shall promptly send a notice to the Repository stating that such Annual Bond Disclosure Report has not been timely provided and, if known, stating the date by which the Issuer anticipates such Annual Bond Disclosure Report will be provided.

Content of Annual Bond Disclosure Reports

Each Annual Bond Disclosure Report of the Issuer shall be prepared by the Issuer and the Department and shall contain or include by reference the following:

1. The audited financial statements for the State for the most recently ended fiscal year, currently prepared in accordance with generally accepted accounting principles.

2. Tables setting forth the following information, as of the end of such fiscal year:
 - (a) For each maturity of the 2014 Series A Bonds, the interest rate on such 2014 Series A Bonds, original aggregate principal amount of such 2014 Series A Bonds and the principal amount of such 2014 Series A Bonds remaining Outstanding.
 - (b) Current information of the type set forth under the Section entitled “FEDERAL AID REVENUES” in the Official Statement relating to the 2014 Series A Bonds.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer on behalf of the Department, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

Reporting of Significant Events

Any of the following events shall be considered a Listed Event:

- (1) Principal and interest payment delinquencies with respect to the 2014 Series A Bonds.
- (2) Non-payment related defaults with respect to the 2014 Series A Bonds, if material.
- (3) Unscheduled draws on any credit enhancement reflecting financial difficulties.
- (4) Unscheduled draws on any debt service reserve reflecting financial difficulties.
- (5) Substitution of any credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2014 Series A Bonds or other material events affecting the tax status of the 2014 Series A Bonds.
- (7) Modifications to rights of holders of the 2014 Series A Bonds, if material.
- (8) (a) Bond calls, if material, and (b) tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the 2014 Series A Bonds, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer.
- (13) The consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change in the name of the trustee, if material.

Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, it shall determine if such event would be material under applicable federal securities laws, provided that Listed Events of the type specified above in paragraphs (1), (3), (4), (5), (6), (8)(b), (9), (11) and (12) will always be deemed to be material. If the Issuer determines that knowledge of the event would be material under applicable federal securities laws, it shall, in a timely manner but in no event more than ten (10) Business Days after the occurrence of the Listed Event, file in an electronic format a notice of such occurrence with the MSRB.

Central Filing; Termination of Reporting Obligation

Any filing or reporting obligation to a Repository under the Continuing Disclosure Agreement shall be made solely by transmitting such filing or report to the Municipal Securities Rulemaking Board pursuant to its Electronic Municipal Market Access (EMMA) system as provided at <http://www.emma.msrb.org>. The Issuer's obligations under the Continuing Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2014 Series A Bonds.

Dissemination Agent

The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor dissemination agent. The initial Dissemination Agent shall be the Issuer.

Amendment; Waiver

The Issuer and the Department may amend the Continuing Disclosure Agreement and any provision of the Continuing Disclosure Agreement may be waived provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions described in the first paragraph under "Provisions of Annual Bond Disclosure Reports" or under "Content of Annual Bond Disclosure Reports" or in the first paragraph under "Reporting of Significant Events", it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2014 Series A Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2014 Series A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the 2014 Series A Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 2014 Series A Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Bond Disclosure Report, and shall include,

as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under the Continuing Disclosure Agreement, and (ii) the Annual Bond Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information

Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the Issuer and the Department from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Bond Disclosure Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Bond Disclosure Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the Issuer shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Bond Disclosure Report or notice of occurrence of a Listed Event.

Default

In the event of a failure of the Issuer and the Department to comply with any provision of the Continuing Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding 2014 Series A Bonds, shall), or any Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the Issuer to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Beneficiaries

The Continuing Disclosure Agreement shall inure solely to the benefit of the Issuer, the Department, the Trustee, the Dissemination Agent, the Participating Underwriters, Holders and Beneficial Owners from time to time of the 2014 Series A Bonds, and shall create no rights in any other person or entity.



FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272